# Industrial Distribution

November 1982

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## COMPUTERS: 1982

## Industrial Distribution

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# Industry News

## 'Distributor Profile Survey' compares commodity volumes

ELM GROVE, WIS.—The Specialty Tools & Fasteners Distributors Assn. has released the results of its 1982 *Distributor Profile Survey*. This edition of the biennial poll prompted a response from roughly 29% of the 481 distributors surveyed, assuring STAFDA that the results of the 1982 profile hold true among distributors generally.

STAFDA says that manufacturers will find the survey of interest, since it discloses the relative volume of 28 commodity lines that, in total, make up 93% of STAFDA members' sales. Since STAFDA's earlier *Performance Analysis Report* found that average member sales for 1981 were just over $3.1 million, each 1% of commodity volume represents about $15.3 million at selling price.

The survey found that the average distributor surveyed buys from 109 suppliers, up from 84 in 1980. General contractors and industrial users continue to be a STAFDA distributor's best customers, in terms of volume. Volume mix has changed little: Sales have risen slightly in two years (from 85.8% to 87.5% of total volume), while service and repairs have dropped.

Employee compensation styles have little to do with the size of the company, the survey pointed out, except at the owner/manager/CEO level. Here, generally, salaries matched the size of the company's annual dollar volume, although the survey uncovered several exceptions. Other employee income kept pace with inflation since 1980: Warehouse supervisors' salaries were up 15.4%; clerks', up 16.7%; truck drivers', 19.0%; sales personnel's, 22.6%. However, the bigger the company is, the more likely it is to offer superior employee fringe benefits, such as dental coverage. Seventy-eight percent of those surveyed now offer life insurance (compared with 69% in 1980), and dental coverage is now offered by 35%; in 1980, that figure was 24%.

Eighty percent of those surveyed were able to obtain product liability coverage at a cost equal to or even less than that of a year ago. However, 13.9% reported having experienced claims problems in the past two years, up from 13.1% in the last survey.

Forty-nine percent now have in-house computers, up from 38% in 1980. When those planning to buy a computer or who are already on timesharing are included, the 49% figure jumps to 88%.

Forty-six percent now use LIFO (last-in,

### STAFDA Distributor Profile/1982

**Selected responses from questionnaire**

**How large was your 1981 sales volume?**

| | | | |
|---|---|---|---|
| Under $250,000 | 2.99% | $2 million-$3 million | 20.15% |
| $250,000-$500,000 | 5.97% | $3 million-$5 million | 13.43% |
| $500,000-$1 million | 13.43% | $5 million-$8 million | 8.21% |
| $1 million-$2 million | 28.36% | Over $8 million | 7.46% |

**What kind of organization do you have?**

| | |
|---|---|
| Proprietor | 4.55% |
| Partnership | 0.76% |
| Sub-S corporation | 6.06% |
| Closed corporation | 86.36% |
| Public corporation | 2.27% |

The average distributor has 3.5 inside and 5.5 outside salespeople.
131 distributors reported employing an average of 23.1 people at 174 branches.

**What is your product mix?**

| | | | | | |
|---|---|---|---|---|---|
| Abrasives | 3.7% | Drywall screws | 3.4% | Power staplers | 6.1% |
| Adhesives & sealants | 1.2% | Gas engine equipment | 2.0% | Safety equipment | 1.2% |
| Air tools | 2.6% | Generators | 0.8% | Scaffolds & ladders | 1.7% |
| Anchors | 9.5% | Hand tools | 4.2% | Screwdriver accessories | 0.7% |
| Blades | 2.7% | Hangers | 1.8% | Stationary tools | 1.4% |
| Blind rivets | 1.1% | Hydraulic tools | 1.0% | Threaded fasteners | 7.2% |
| Compressors | 1.8% | Lifting equipment | 0.7% | Threaded rod | 1.2% |
| Cords & cables | 3.3% | Power-actuated tools | 7.1% | Tool boxes | 1.3% |
| Diamond equipment | 2.7% | Pipe tools | 2.0% | Miscellaneous | 6.6% |
| Drill bits | 3.7% | Portable electric tools | 17.3% | | |

Each 1% equals about $15.3 million in sales volume.
The average distributor buys from 109 suppliers.

**Who are your best customers, in terms of sales volume?**

| | | | | | |
|---|---|---|---|---|---|
| Plumbing & electrical contractors | 11.7% | Metal fabricators | 5.1% | Drywall contractors | 6.1% |
| General contractors | 20.1% | Utilities | 3.7% | Industrial customers | 18.8% |
| Electrical contractors | 14.2% | Building contractors | 12.5% | Other | 7.8% |

Each 1% equals about $15.3 million in sales volume.

**As a percent of your total, what did your 1981 volume consist of?**

| | | | | | |
|---|---|---|---|---|---|
| Sales | 87.5% | Service & repair | 5.0% | Other | 0.6% |
| Rental | 5.9% | Contract drill & saw | 1.[illegible] | | |

Each 1% equals about $15.3 million in sa[illegible]

**What was your company's 1981 W-2 compensation, excluding fringes?**

| | | | |
|---|---|---|---|
| Owner/manager | $56,800 | Bookkeeping/accounting | $14,400-$18,700 |
| Outside salespeople | $21,400-$35,500 | Warehouse supervisors | $15,200-$18,300 |
| Inside salespeople | $16,100-$21,200 | Clerical help | $10,600-$12,500 |
| Countermen | $14,100-$16,600 | Truck drivers | $11,600-$13,400 |

| Do you offer employees: | Yes | No | Share costs? (% of "yes") |
|---|---|---|---|
| Hospital & surgical? | 94.85% | 5.14% | 23.26% |
| Long-term disability? | 40.30% | 59.70% | 12.96% |
| Life insurance? | 78.68% | 21.32% | 9.35% |
| Dental care? | 35.20% | 64.80% | 18.18% |
| Profit sharing? | 52.55% | 47.45% | 2.78% |
| Pension plan? | 38.64% | 61.36% | 0.00% |

first-out) as their method of inventory evaluation, compared to 36% in 1980. Thirteen percent of those surveyed reported a visit to their premises by a government representative in the past year, most of those visitors being revenue agents. That 13% is down from 30% in the 1980 survey.

Business interruption insurance is now being carried by 54%, up from 38% two years ago. The number of STAFDA firms dealing with unions is down from 9% to 6%. More distributors are paying commissions on profit and not sales volume, since figuring profit has been made easier with the computer. Employee turnover, 16.2% in 1980, was down to 10.9% this year.

The average billing line is $28 now, compared with $25 two years ago, and the average invoice has gone to $197 from $125. Distributors have nearly doubled their customer bases in order to attract new business.

Forty-one percent reported that they had applied for or received a loan in the past six months, compared with 40% in 1980. Fords and Chevrolets remain the most popular working vehicles among distributors; in fact, imported cars received fewer mentions by those surveyed than in the 1980 poll. □

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## AMTDA data show that machine tool houses continue to prosper

WASHINGTON—The American Machine Tool Distributors Assn. has collected and published information designed to counter the image of the industry as troubled or failing. The facts gathered by AMTDA have been culled from surveys made of association members in the past several months.

- The average salary for an experienced outside salesman in machine tools is $36,000 per year. In machine tool distributorships with more than $15 million in annual sales, the average salesman sells more than $1.9 million worth of tools and related equipment per year. Eleven hundred outside salesmen employed by 130 machine tool distributorships sold more than $1.6 billion in tools during 1981.
- The average distributorship sells $13 million worth of machine tools each year. The median sales figure is $8 million.
- That average firm employs 24.2 persons, of whom 36%, or 8.7, are outside salesmen. The average compensation for salesmen in a distributorship with less than $2 million per year in sales is $26,000. In firms with sales of more than $10 million, the average salesman's compensation is $50,000. Half the distributors surveyed by AMTDA in 1981 planned to add outside salesmen to their payrolls this year.
- Nearly half those distributors with sales of less than $2 million annually employ a full-time serviceman. Firms with sales of more than $15 million have hired 3.8 servicemen.
- More than half of all machine tool distributors cover their salesmen with a written contract. More than 65% give their employees hospitalization insurance. Fifty-six percent provide life insurance; more than half give profit-sharing; a third provide disability insurance; 26% have a pension plan; and more than 20% give dental insurance. □

## *Multiemployer pension plans said to threaten distribution firms*

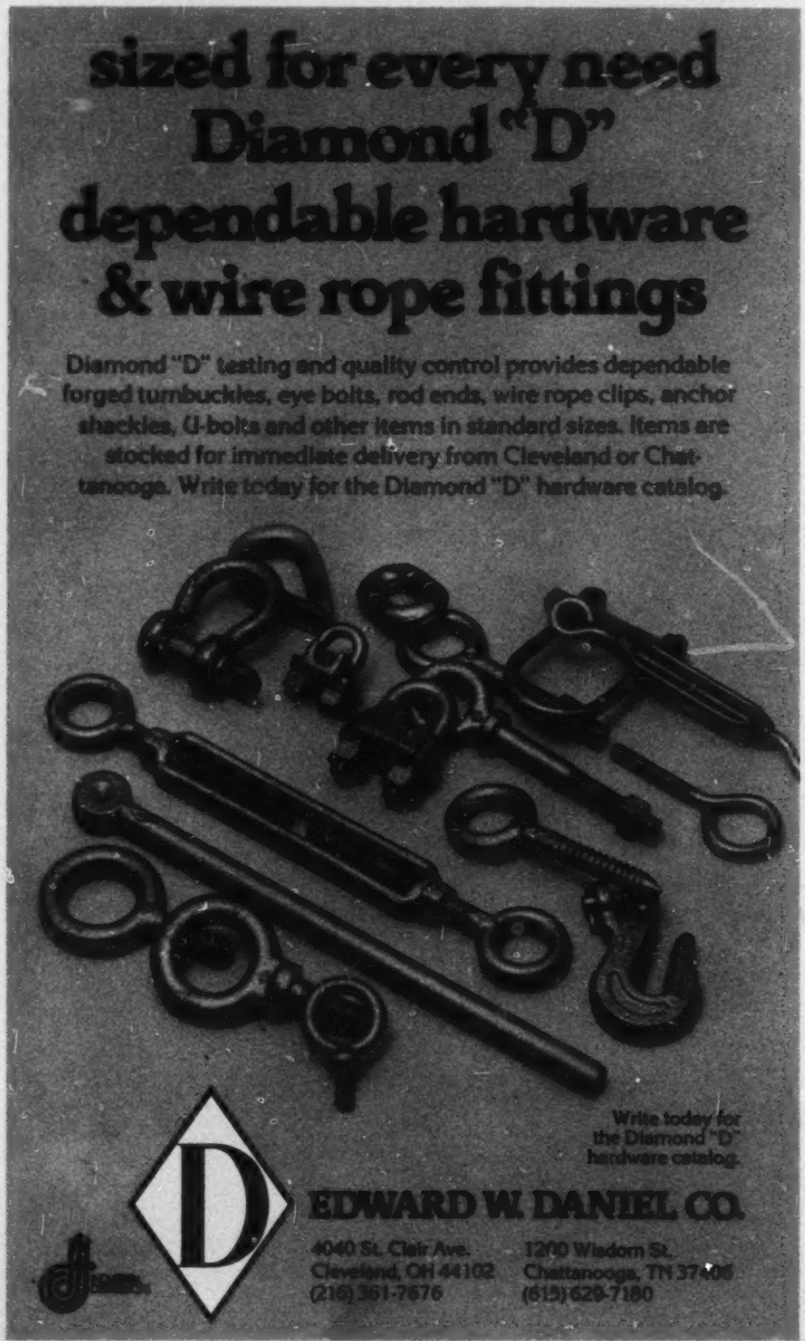
WASHINGTON—The Specialty Tools & Fasteners Distributors Assn. has issued a legal advisory on the *Multiemployer Pension*

[continued from page 14]

claimants. "It will be the same company," says McKinney's letter. "It will just have a different-looking balance sheet."

McKinney adds that his company is still in good shape. "Our domestic assets are virtually all unencumbered," he writes. "For instance, on a consolidated basis, we have over $1.4 billion in net book value of unmortgaged property, plants and equipment. Approximately $600 million in net book value of our other consolidated assets are virtually all unencumbered. We entered Chapter 11 with approximately $15 million in cash, which will at least double (after all current payments) by the end of September.

"We expect to build up substantially more cash in the next few months from operating cash flows, resulting in part from the automatic suspension of payment of pre-Chapter 11 debts and stays of asbestos-health litigation. All obligations incurred on and after Aug. 26, 1982, will have priority over most pre-Aug. 26 liabilities."□



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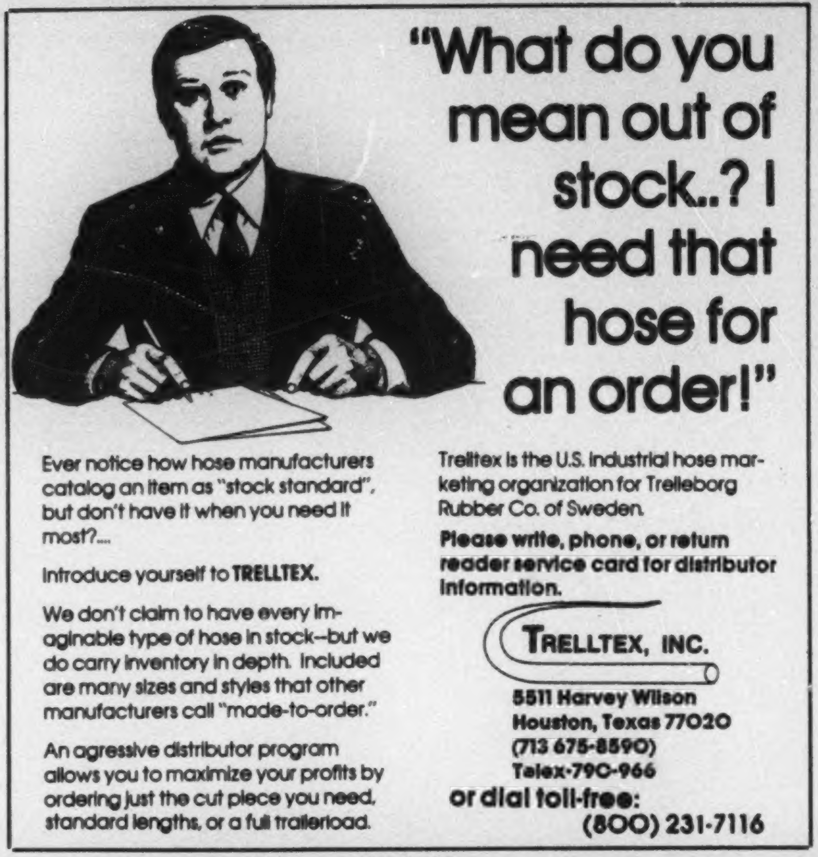
## Indicators

Hell must have frozen over in August. That was the month in which the *NIDA-SIDA Industrial Supply Inflation Index* declined—yes, *declined*—for the first time in 11 years. The *Index* fell 0.2 points (0.13%) to 153.8. That dip in the mark equates to an annualized deflation rate of 1.57%. The bad news is, however, that it still takes almost $154 to buy what $100 bought in industrial supplies in 1977 . . . Worse news is that the *NIDA-SIDA Industrial Distribution Index* was also down in August, maintaining national and regional levels substantially below those of a year ago. The national figure for August was 119.1, down 0.9 points (0.75%) from July's mark. Regionally, only the midwest showed a gain (to 103.8, up 2.7 points or 2.67%) for the month. The other regions: the east, down 4.7 points (3.85%); the south, off 4.0 points (3.02%); and the west, down 3.6 points (2.26%). Compared with a year ago, the national figure is off 20.92%; the east's, 22.01%; the midwest's, 24.89%; the west's, 15.50%; and the south's, 17.00%. Regional indices for August were: the east, 117.3%; the midwest, 103.8; the west, 155.9; and the south, 128.4 . . . The *SIDA Monthly Sales Trend Report* for July showed sales down 11.63% from June and off 23.34% from the year before. Year-to-date sales, however, are running only 6.93% behind last year's. Average collection days on accounts receivable were down again in July from June, to 42, which was 4.76% better than the month before and 18.99% better than a year ago. Whether this means that there's more money out there with which to pay bills, or that distributors are getting better at collecting, is hard to say . . . The *ASMMA New Order Index* for June was down 0.7 points (0.82%), a loss followed by a further 3.2-point (3.78%) decline in July. This left the ASMMA mark at 81.4 . . . The Federal Reserve Board's *Index of Industrial Production* was down 0.1 points (0.08%) in July, putting that mark at 125.2 . . . The U.S. Commerce Dept.'s index of 12 leading indicators was up 0.2 points (0.16%) in July, to 127.9 . . . The National Wholesale Hardware Assn.'s *Hardware Sales Index* was up 1.1 points (1.12%) in July and 0.2 points (0.20%) in August, rising to 99.4 during that month. In terms of daily average sales figures, the *Index* was down 5.2% in July and up 1.4% in August . . . The National Wholesale Hardware Assn.'s *Hardware Sales Index* was up 1.1 points (1.12%) in July and 0.2 points (0.20%) in August, rising to 99.4 during that month. In terms of daily average sales figures, the *Index* was down 5.2% in July and up 1.4% in August . . . The National Welding Supply Assn.'s *Welding Supply Index* was down 9.9% in July, falling to 128.8. Year-to-date figures for 1982 are running 7.1% behind 1981's . . . The Material Handling Institute reports dismal figures on orders and shipments of material handling equipment. In May, orders were running 47.28% below those for the same month last year, and year-to-date figures were 25.26% off; shipments for May were off 8.82% from the pace set in May 1981, and year-to-date figures were down 3.91%. Things were generally worse in June. Orders for that month were down 35.73% from June 1981 levels, and were off 26.93% from the year-to-date mark set last year; shipments were down 15.41% from June 1981, and year-to-date figures were off 6.02%. Orders in June totaled $264.8 million; shipments were $356.7 million. So far this year, the industry has reported $1.89 billion in orders and $2.17 billion in shipments, compared with $2.59 billion in orders and $2.30 billion in shipments in the first six months of 1981 . . . The National Machine Tool Builders' Assn. says that new machines tool orders stood at $128.2 million in June, $107.8 million in July and $83.0 million in August, while shipments totaled $413.9 million in June, $248.8 million in July and $257.2 million in August. In August, orders were down 22.1% for the month, off 61.3% from August 1981 levels and down 50.8% from last year's year-to-date levels. Shipments were up 2.7% in August from July but down 21.0% from July 1981. Year-to-date levels on shipments were down 20.3% . . . The Copper & Brass Servicenter Assn. says that its index of free-cutting brass rod shipments was down 1.1 points (1.41%) in June but up 2.6 points (3.39%) in July, rising that month to 76.8. CBSA's index of all other coppermetal products (exclusive of brass rod and water tube) was down 3.1 points (3.66%) in June and 15.7 points (19.26%) in July, falling to 65.8. That mark represents an all-time low for the index, which is based on the average shipments sent in the same month in 1978 . . . The American Machine Tool Distributors' Assn.'s *New Machine Tool Order Index* for July was down 5.9 points (13.14%) for the month, falling to 67.1. This is 28.39% below year-ago levels. The *Index* is based on average order levels in the 1978-80 period. □

## *Analysts see U.S. machining centers gaining in the '80s*

New York—Frost & Sullivan Inc., business consultants, forecasts that unit shipments of machining centers by U.S. manufacturers will increase at an 8.4% compounded annual rate through this decade. In straight numbers, the firm expects that unit shipments will grow from 2101 in 1980 to



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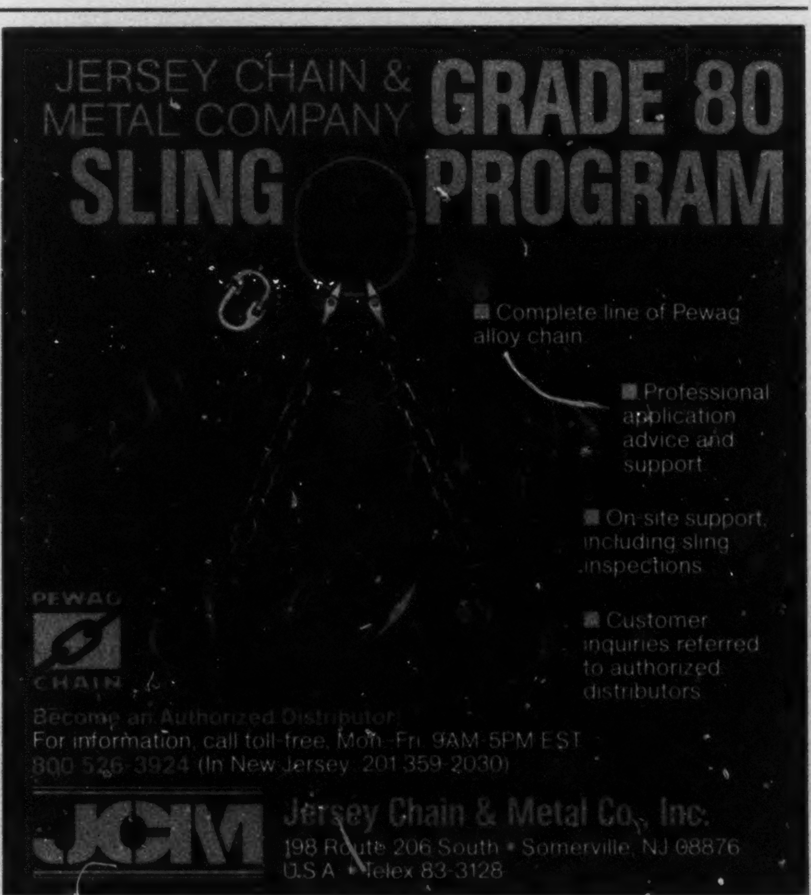

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## Regional Report

# Sales look up in August

The worst may be over. Distributors in most parts of the nation report that their August sales were up by a healthy fraction over July levels. As a whole, distributors enjoyed a 7% sales gain in that month, reducing the year-ago sales deficit to 14%.

Even so, year-to-date sales are still heavily splashed with red ink. No region witnessed an upturn, and losses have been as great as 27% in the West South Central and 21% in Connecticut. The Pacific region with its heavy reliance on wood and construction is down by 20% compared to 1981.

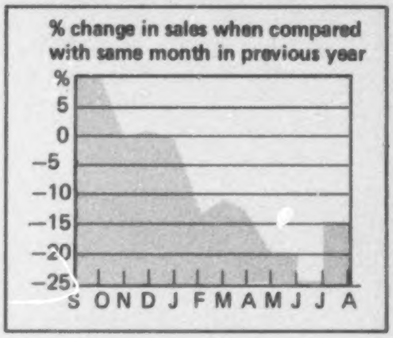
However, when compared with the same month of the previous year, Pacific distributors were one of only two which saw increases; here it was 3%. Chicago distributors report gains of 15%. All other areas posted losses of anywhere from 2% to 42%.

The gain over previous month totals, though, may turn out to enjoy some support from other national trends recently surfacing throughout the economy. The unemployment rate notwithstanding, the bullish stock market, which in itself is a response to loosening credit controls, may give industry the confidence to bury the early-80's recession once and for all. Should this occur, year-ago sales figure deficits will be much less severe in the next few months.

However, even according to Alan Greenspan, an informal Reagan advisor, there is no hard evidence of an economic upturn. Administration optimists are hoping for a 3% increase in the fourth quarter for the GNP. □

| **RECEIVABLES*** | August 1982 Gen. | August 1982 Spec. | August 1981 Gen. | August 1981 Spec. |
|---|---|---|---|---|
| **New England** | 40.7 | 47.8 | 40.4 | 48.1 |
| **Middle Atlantic** | 40.0 | 46.7 | 42.1 | 46.2 |
| **South Atlantic** | 34.3 | 33.3 | 33.9 | 36.1 |
| **East North Central** | 37.6 | 41.5 | 39.7 | 41.3 |
| **East South Central** | 37.2 | 35.0 | 38.9 | 38.0 |
| **West North Central** | 38.1 | 38.0 | 37.8 | 38.0 |
| **West South Central** | 42.3 | 50.5 | 46.6 | 42.1 |
| **Mountain** | 33.2 | 38.9 | 29.1 | 39.6 |
| **Pacific** | 41.7 | 45.4 | 41.8 | 47.3 |
| **National** | 38.3 | 41.9 | 38.9 | 41.9 |

*Average days outstanding



While August sales trail last year's, the slump may have bottomed out . . .

| SALES BY REGIONS (% change) | August '82 vs. July '82 Gen. | Spec. | Both | August '82 vs. August '81 Gen. | Spec. | Both | 1st 8 mos. '82 vs. 1st 8 mos. '81 Gen. | Spec. | Both |
|---|---|---|---|---|---|---|---|---|---|
| **NEW ENGLAND:** CT, RI, MA, NH, VT, ME | + 9 | +10 | + 9 | −15 | + 7 | − 8 | −15 | −15 | −15 |
| Connecticut | 0 | +10 | + 3 | −22 | + 6 | −13 | −15 | −32 | −21 |
| Massachusetts | +13 | +10 | +12 | − 8 | + 8 | − 2 | −15 | −10 | −12 |
| **MIDDLE ATLANTIC:** NY, NJ, PA | + 8 | + 3 | + 6 | −15 | −10 | −13 | −14 | − 3 | − 9 |
| New York Metropolitan Area | +15 | 0 | + 5 | + 4 | −13 | − 8 | − 1 | −14 | −13 |
| Upstate New York | 0 | + 4 | + 2 | − 1 | − 9 | − 4 | −10 | − 3 | − 7 |
| Pennsylvania | + 7 | +14 | +10 | −24 | − 2 | −16 | −23 | + 1 | −14 |
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| Michigan | + 4 | + 1 | + 3 | −30 | − 8 | −21 | −34 | +13 | −14 |
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| **WEST SOUTH CENTRAL:** AK, LA, OK, TX | − 7 | − 5 | − 6 | −43 | −41 | −42 | −33 | −21 | −27 |
| Texas | − 1 | − 2 | − 2 | − 6 | −28 | −26 | −12 | −21 | −18 |
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| Oregon-Washington | + 2 | −14 | − 4 | −20 | −18 | −19 | −20 | −16 | −18 |
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Industrial Distribution

December 1982

Hotline:
1983 Distributors
sense an upturn
ar[illegible] secon[illegible]

C6185-2 12/22/82

## Profile of a winner . . .
## Industrial Supply Co.

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# Tax expert urges distributors to consider strategy for 1983

New York—As 1982 draws to a close, distributors should be giving some thought to their IRS inventory valuation strategy, according to ***ID*** inventory management contributor Alan Silver. That strategy, he says, should take into account this year's new tax laws, regulations and the recession.

Silver says that there are several areas of IRS inventory valuation that have been particularly affected by these new laws and regulations. There is, for instance, a law now in force which "simplifies" last-in-first-out (LIFO) inventory valuation by permitting taxpayers to use data from the Bureau of Labor Statistics. This development, says Silver, eliminates the need for the taxpayer to do a double extension of his inventory in order to determine his firm's inflation rate. However, warns Silver, this "simplification" has turned out to be so complicated that it cannot be made practical unless IRS eases its requirements.

Also, new legislation permits taxpayers who are converting to LIFO to spread the income due to a change-of-method over a three-year period without interest. Silver points out, however, that there is a question as to whether this provision applies to illegal *Thor*-type writedowns.

IRS rules now permit the spreading of added income over a 10-year period with no interest when that income derives from the correction of erroneous methods of inventory valuation. Silver says that under certain circumstances this 10-year spread might be retained upon conversion to LIFO. Silver discussed LIFO strategy in the present recession in an ***ID*** article that appeared in September 1980.

Another source, Robert Feinschreiber of Feinschreiber & Assocs., Key Biscayne, Fla., points out that corporate tax payments will be accelerated beginning in 1983. Presently, the law requires companies to pay 80% of their current year's tax liability in quarterly estimated payments. The new tax law raises this level to 90%. Further, the old tax law allowed a company to pay the first half of its remaining tax (after payment of estimated tax) two and one-half months after the end of its tax year; the rest could be paid three months after that. Beginning in 1983, all the tax is due two and one-half months after the end of the tax year. □

## Indicators

The *NIDA-SIDA Industrial Distribution Index* fell in September to 115.9, off 3.2 points (2.69%) from August. This latest drop left the *Index* floundering 31.3 points (21.26%) behind the September 1981 mark. NIDA and SIDA regions were not much better off in September 1982, with only the east reporting any sort of sales gain: a modest 0.7-point (0.60%) rise, sending that region's index to 118.0. The other three sections posted losses for September: the midwest, down 3.3 points (3.18%), to 100.5; the west, off 6.4 points (4.11%), to 149.5; and the south, down 3.7 points (2.88%), to 124.7. The *Index* takes a reading of 100.0 as a comparison between the current month and the yearly average activity for 1977. NIDA-SIDA members polled in the September survey said that the construction equipment, farming, automotive and foundry industries remained depressed in September, with manufacturers' price increases in all areas non-existent; price *decreases* were reported in the east . . . The *NIDA-SIDA Industrial Supply Inflation Index* rose slightly in September to 154.0, up 0.13% over the August figure. Inflation has, in all, risen 4.98% in the past year, according to the *Index*. The slight hike in September followed a small *deflation* noted in August . . .

The *SIDA Monthly Sales Trend Report* for August was up 5.21% over July levels, but still 18.53% below the year-ago mark, reflecting the ravages of the recession. Year-to-date figures for August were running 11.80% behind those of last year. However, average collection days for accounts receivable were down again in August, to 42, a 0.18% decrease from July and a 17.30% decline from August 1981 . . . The *ASMMA New Order Index* has undergone some changes because, the organization says, one of its larger members has been accidentally misreporting its figures due to an accounting error that has obtained since the beginning of 1980. The corrected mark for August is 90.8, up 2.5 points (2.83) from the revised July figure of 88.3. The revision has actually helped the *ASMMA Index*, since the unrevised July figure stood at 81.4. Like NIDA-SIDA's, the base period of the *ASMMA Index* is 1977 . . . The Federal Reserve Board's *Index of Industrial Production for Durable Manufactures* for August was down 0.7 points (0.60%), to 124.5. The base period of this index is 1967 . . . The U.S. Dept. of Commerce's survey of 12 leading indicators was up 1.9 points (1.49%) to 129.8. The base for this index is also 1967 . . .

The National Wholesale Hardware Assn's. *Hardware Sales Index* was up 0.2 points (0.20%) in August, to 99.4. The base for the *NWHA Index* is 1981. The regional picture was decidedly mixed. The west was down 4.7 points (4.28%), to 105.1; the plains states were up 3.6 points (3.88%), to 96.5; the southwest was up 3.7 points (3.94%), to 97.5; the Great Lakes were up 14.3 points (15.15%), to 108.7; the northeast was down 0.1 point (0.10%), to 103.1; the east central states were down 3.4 points (3.44%), to 95.5; and the southeast was down 4.5 points (4.62%), to 92.8 . . . The National Welding Supply Assn's. *Welding Supply Index* was up 8.1 points (6.29%) in August, to 136.8 . . .

The Material Handling Institute says that orders for material handling equipment in July stood at $226.2 million, down sharply from the $433.4 million booked in July 1981. July shipments were worth $271.2 million, down from $370.1 million the year before. For the first seven months of the year, orders were $2.117 billion, down from $3.022 billion in 1981; shipments were $2.436 billion, down from $2.674 billion the year before. MHI keeps an index of bookings based on monthly average orders for 1967; on that basis, the July index stood at 235.14, down 6.04 (2.50%) from June. The index was as high as 428.05 as recently as February of this year, but crashed to 262.31 a month later, a loss of 165.74 points, or 38.72%, in one month.

## Seminars

■ "Improving Industrial Engineering Productivity with Microcomputers" is a one-day seminar sponsored by the Institute of Industrial Engineers. It will explore ways in which low-cost computer hardware and simplified software can carry out numerous industrial engineering functions. The seminar leader will be Gary Whitehouse of the University of South Florida. The seminar will be given in San Diego on Jan. 24, San Jose on Jan. 25 and in Denver on Jan. 26. The registration fee is $295 ($245 for IIE members). Forms and information are available from IIE Conference Dept., 25 Technology Park, Atlanta, Norcross, Ga. 30092. Phone (404) 449-0460.

■ The third annual National Industrial Fastener Show & Conference will be held in Columbus, Ohio, from May 3-4, 1983. For more information, write National Industrial Fastener Show & Conference, 50 W. Broad St., Columbus, Ohio 43215.

## Regional Report

# September sales dip again

After it seemed briefly as though sales for industrial distributors were climbing out of recession's trough, they slipped once again this September.

All distributors around the country report a combined loss of 20% compared with the previous year, and an 11% downturn for the year to date.

Only a few bright spots can be glimpsed on the horizon. On a month-by-month basis, New England posted a rise of 8%, with Connecticut general liners reporting a 28% gain. Similarly, Los Angeles/San Diego specialists claimed a 20% jump over a sluggish August. Texas checked in at 15% ahead of last month, and the South Atlantic region 4%.

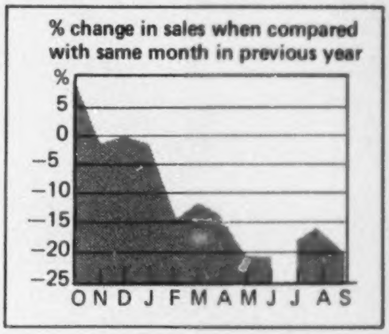
However, when September sales are stacked against those of the same month in '81, an entirely different scene unfolds. Here, double-digit losses are the rule. The West South Central is down 53%, the Mountain States 38%, the East North Central 20%; no region showed an increase.

Year-to-date sales do not appear any better, although Massachusetts and Los Angeles/San Diego specialists saw increases of 9% and 7%, respectively. For all distributors, the biggest losses occurred in the Mountain States (26%), the West North Central (21%), West South Central (20%) and the Pacific (17%).

While the Administration and the stock market contend that recovery is just around the corner, it does not appear to be the case on any distributor's street.

| **RECEIVABLES*** | September 1982 Gen. | September 1982 Spec. | September 1981 Gen. | September 1981 Spec. |
|---|---|---|---|---|
| **New England** | 38.6 | 47.6 | 37.1 | 45.0 |
| **Middle Atlantic** | 40.1 | 46.0 | 42.1 | 45.5 |
| **South Atlantic** | 32.7 | 35.3 | 32.5 | 33.6 |
| **East North Central** | 39.1 | 38.6 | 38.1 | 39.1 |
| **East South Central** | — | 60 | — | 60 |
| **West North Central** | 36.7 | 38 | 41.3 | 40.5 |
| **West South Central** | 40.0 | 44 | 32.7 | 41.8 |
| **Mountain** | 24.7 | 41.6 | 32.2 | 21.9 |
| **Pacific** | 39.3 | 38 | 39.5 | 38.8 |
| **National** | 36.4 | 43.2 | 36.9 | 40.7 |

*Average days outstanding



Remaining at a depressed 20% off, sales for September show little fiscal hope . . .

| **SALES BY REGIONS (% change)** | September '82 vs. August '82 Gen. | Spec. | Both | September '82 vs. September '81 Gen. | Spec. | Both | 1st 9 mos. '82 vs. 1st 9 mos. '81 Gen. | Spec. | Both |
|---|---|---|---|---|---|---|---|---|---|
| **NEW ENGLAND:** CT, RI, MA, NH, VT, ME | +14 | 0 | +8 | −21 | −10 | −17 | −11 | 0 | −7 |
| Connecticut | +28 | −34 | +7 | −31 | −41 | −34 | −15 | −26 | −19 |
| Massachusetts | +3 | +5 | +4 | −4 | −2 | −3 | −5 | +9 | +1 |
| **MIDDLE ATLANTIC:** NY, NJ, PA | +1 | +2 | +2 | −13 | −10 | −12 | −11 | −6 | −9 |
| New York Metropolitan Area | −4 | −3 | −3 | −5 | −19 | −13 | −6 | −15 | −11 |
| Upstate New York | +2 | −2 | 0 | −25 | −16 | −21 | −13 | −4 | −9 |
| Pennsylvania | +5 | +6 | +6 | −5 | −2 | −4 | −15 | −1 | −8 |
| **SOUTH ATLANTIC:** DE, DC, MD, FL, GA, NC, | +12 | −8 | +4 | −17 | −8 | −13 | −5 | −9 | −7 |
| SC, VA, WV | +19 | −9 | +12 | −13 | −12 | −13 | −1 | −11 | −4 |
| Georgia-Florida | 0 | −3 | −2 | −21 | −4 | −13 | −14 | −5 | −10 |
| **EAST NORTH CENTRAL:** OH, IN, IL, MI, WI | −2 | −9 | −5 | −15 | −25 | −20 | −5 | −12 | −8 |
| Indiana | −15 | −17 | −16 | −32 | −41 | −37 | −10 | −29 | −20 |
| Wisconsin | −5 | −7 | −6 | −26 | −34 | −29 | −12 | −18 | −14 |
| Chicago | 0 | −27 | −27 | 0 | −28 | −28 | 0 | −14 | −14 |
| Michigan | −4 | +2 | −1 | −29 | −14 | −22 | −30 | −2 | −16 |
| Ohio | +6 | −12 | 0 | +7 | −26 | −4 | +23 | −10 | +12 |
| **EAST SOUTH CENTRAL:** AL, MS, KY, TN | — | −4 | −4 | — | −19 | −19 | — | −9 | −9 |
| **WEST NORTH CENTRAL:** MN, ND, SD, IA, NE, KS, MO | +13 | −7 | +3 | −38 | −6 | −22 | −26 | −16 | −21 |
| **WEST SOUTH CENTRAL:** AK, LA, OK, TX | −13 | −5 | −9 | −56 | −50 | −53 | −31 | −9 | −20 |
| Texas | 0 | +15 | +15 | 0 | −23 | −23 | 0 | −9 | −9 |
| **MOUNTAIN:** NM, AZ, CO, UT, NV, WY, MT, ID | −1 | +10 | +5 | −30 | −45 | −38 | −10 | −41 | −26 |
| **PACIFIC:** CA, OR, WA | −5 | +2 | −2 | −24 | −19 | −22 | −17 | −16 | −17 |
| L.A.-San Diego | −12 | +20 | −4 | −14 | +16 | −7 | −3 | +7 | +1 |
| Oregon-Washington | −4 | −4 | −4 | −25 | −27 | −26 | −19 | −21 | −20 |
| **U.S. TOTALS** | +2 | −3 | 0 | −20 | −19 | −20 | −11 | −11 | −11 |

# Industrial Distribution

JANUARY 1983

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**Special Report**
**Market sprawl: How markets are changing**

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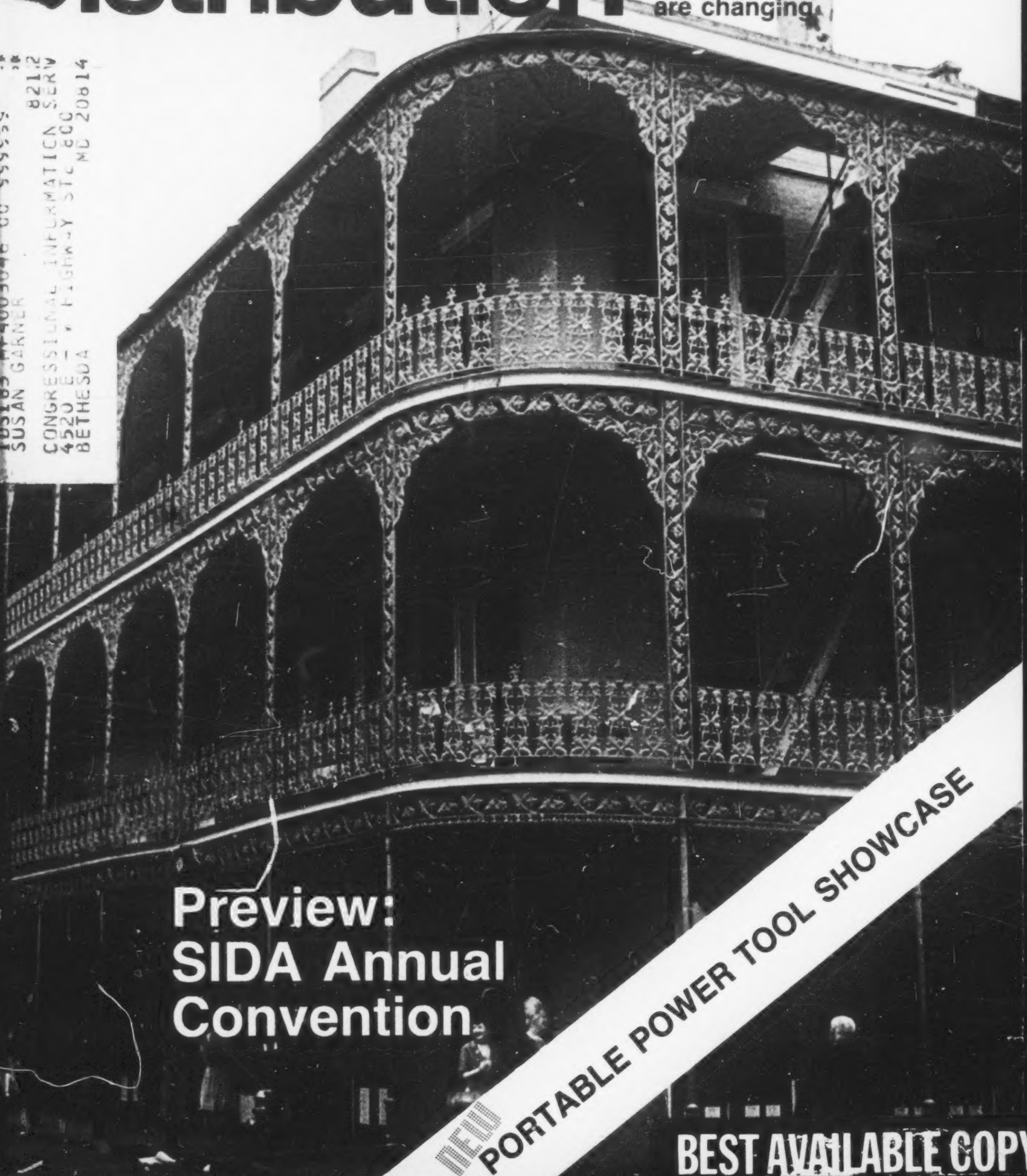

## Preview: SIDA Annual Convention

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that many executives outside the city are not aware that Memphis is a distribution center. We have the resources and the location, but not the reputation. We hope to overcome the exposure problem so that when you think distribution, you think Memphis." □

## Indicators

The economic blahs continued in October, although inflation continued to weaken, according to the *NIDA-SIDA Industrial Distribution Index* for that month. The national index fell 6.1 points (5.26%) in October, winding up at 109.8—38.1 points (25.76%) behind the October 1981 figure. The four NIDA-SIDA regions did no better during the month, although some areas lost less ground than others. The east was down 2.8 points (2.37%), to 115.2; the west was off 10.9 points (7.29%), to 138.6; the midwest was down 6.8 points (6.77%), to 93.7; and the south was off 3.7 points (2.97%), to 121.0. The good news was that the *NIDA-SIDA Industrial Supply Inflation Index* fell for the second time in three months. That index was off 0.3 points (0.20%) in October, when it fell to 153.7—which means that it took $153.70 to buy the same number of industrial supplies that cost $100 in 1977. The October inflation figure put the inflation factor for the previous 12 months at 4.27%, certainly the lowest such figure in a good many years. The deflationary amount given by the October figures, spread over the course of the next 12 months, suggests an annual deflationary rate of 2.36% . . . The *SIDA Monthly Sales Trend Report* for September showed sales up 2.73% over the month before, but still 15.54% behind those of September 1981. Year-to-date figures are running 6.53% behind last year's. The number of average collection days was reported up slightly for the first time in several months, indicating that customers are feeling the pinch a bit more than they had earlier in the year. The number of collection days was up 3.24%, to 40, although that figure is well below the one for September 1981 . . . The *ASMMA New Order Index* for September was up 1.3 points (1.39%), to 92.1 . . . The Federal Reserve Board's *Index of Industrial Production* was down 1.7 points (1.37%), to 122.8 in September . . . The Commerce Dept.'s index of 12 leading indicators was down 1.2 points (0.92%) for August, hitting 128.6 . . . The National Wholesale Hardware Assn.'s *Hardware Sales Index* was down 0.8 points (0.80%), to 98.6 in September. That's the monthly decline; however, if the sales figures are taken on a day-to-day basis, hardware sales were actually up in September by about 5%. . . Those strange statistics continued in October, as the index posted a 2.1-point gain, rising 2.13% for the month. But daily average sales figures put the "real" mark at a loss of nearly 4% . . . The National Welding Supply Assn.'s *Welding Supply Index* was up 0.8 points (0.58%) in September but down 6.6 points (4.78%) in October, leaving that mark at 131.4 . . . The National Machine Tool Builders' Assn. says that net new orders were up 38.50% in October for metal-cutting tools and up 35.13% for metal-forming tools, a total increase of 37.17%. Shipments, however, were down a total of 27.24% because recent new-order levels have been depressed, and those are the orders that manufacturers are now filling . . . The U.S. Census Bureau says that spending and receipts by all governments in the nation went over the trillion-dollar mark for the first time in history in the fiscal year ending October 1981. Government receipts hit $1.08 trillion and expenditures reached $1.11 trillion. There now exists a Federal debt of $1.4 trillion and a state and local indebtedness of $0.36 trillion. □

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## Regional Report

# Sales slide continues in October

With few exceptions, distributors across the country report continued deterioration in sales for October. This is particularly disheartening based on September's slightly promising figures.

The totals for the entire country, compared to last year, add up to a combined loss of 25%, or 5% more than the 20% loss recorded in September.

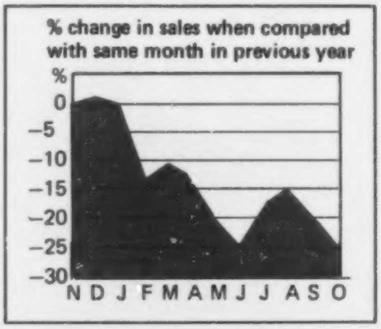
The Middle Atlantic region, which had shown a month-to-month increase of 2% in September, reversed direction and shows a decline in October of 7%. Similarly, the West North Central region dropped from +3% to −2% while New England saw its promising +8% skid to a paltry +1%, all on month-to-month reporting.

The year-to-date figures are also poor, with the West North Central region showing a widening loss of 27%, 6% more than the 21% of last month. Only three of the seven regions reporting show a less steep decline, year-to-year, than last month: New England, −4% against −7%; West South Central, −13% against −20%; and Mountain, −10% against −26%.

One exception: although the figures for the East North Central region in Oct. '82 against Oct. '81 appear horrendous, Oct. '82 against Sept. '82 look quite good. Are we clutching at straws? Perhaps. But to maintain at least a flicker of optimism in this frigid atmosphere, one must continue to search for a meaningful barometer that could indicate a crack, if not the hoped-for break, in the ice. □

| **RECEIVABLES*** | October 82 Gen. | October 82 Spec. | October 81 Gen. | October 81 Spec. |
|---|---|---|---|---|
| **New England** | 41.5 | 44.5 | 40.5 | 43.4 |
| **Middle Atlantic** | 43.4 | 46.9 | 42 | 46.4 |
| **South Atlantic** | 36.8 | 36.2 | 34.0 | 35.3 |
| **East North Central** | 34.3 | 48.3 | 38.8 | 52.7 |
| **East South Central** | — | — | — | — |
| **West North Central** | 36.5 | 34 | 39.9 | 38 |
| **West South Central** | — | 36.9 | — | 38.7 |
| **Mountain** | 27.3 | — | 32.3 | — |
| **Pacific** | 35.5 | 30.6 | 34.2 | 33.5 |
| **National** | 36.3 | 44.1 | 38.2 | 45 |

*Average days outstanding



**October sales figure falls 25% year-to-year, a new low for 1982 . . .**

| **SALES BY REGIONS (% change)** | Oct. '82 vs. Sept. '82 Gen. | Oct. '82 vs. Sept. '82 Spec. | Oct. '82 vs. Sept. '82 Both | Oct. '82 vs. Oct. '81 Gen. | Oct. '82 vs. Oct. '81 Spec. | Oct. '82 vs. Oct. '81 Both | 1st 10 mos. '82 vs. 1st 10 mos '81 Gen. | 1st 10 mos. '82 vs. 1st 10 mos '81 Spec. | 1st 10 mos. '82 vs. 1st 10 mos '81 Both |
|---|---|---|---|---|---|---|---|---|---|
| **NEW ENGLAND:** CT, RI, MA, NH, VT, ME | − 1 | + 2 | + 1 | −13 | 12 | −12 | −12 | − 1 | − 4 |
| Connecticut | +11 | +52 | +34 | − 1 | −30 | −22 | − 7 | −26 | −21 |
| Massachusetts | − 2 | − 2 | − 2 | −17 | − 5 | − 8 | −12 | + 8 | + 3 |
| **MIDDLE ATLANTIC:** NY, NJ, PA | −10 | − 5 | − 7 | −29 | −22 | −25 | − 7 | −16 | −13 |
| New York Metropolitan Area | − 8 | −11 | − 9 | −28 | −17 | −25 | − 8 | −11 | −10 |
| Upstate New York | −10 | −15 | −12 | −32 | −10 | −26 | −12 | + 5 | − 8 |
| Pennsylvania | −12 | +11 | 0 | + 5 | − 2 | + 1 | − 9 | − 3 | − 6 |
| **SOUTH ATLANTIC:** DE, DC, MD, FL, GA, NC, SC, VA, WV | [illegible] | [illegible] | 0 | −16 | − 8 | −12 | − 5 | − 5 | − 5 |
| Georgia-Florida | [illegible] | [illegible] | 0 | −17 | −10 | −12 | − 9 | − 6 | − 7 |
| **EAST NORTH CENTRAL:** OH, IN, IL, MI, WI | [illegible] | [illegible] | + 4 | −31 | −30 | −31 | −17 | − 3 | −13 |
| Indiana | +13 | +54 | +21 | −15 | +17 | − 8 | −11 | −13 | −11 |
| Wisconsin | − 3 | + 6 | + 2 | −32 | −39 | −36 | − 9 | − 2 | − 5 |
| Chicago | −11 | +10 | + 3 | −49 | −36 | −40 | −32 | −13 | −21 |
| Michigan | + 1 | + 2 | + 2 | −35 | −19 | −31 | −32 | +14 | −21 |
| Ohio | − 2 | — | − 2 | −32 | — | −32 | −16 | — | −16 |
| **EAST SOUTH CENTRAL:** AL, MS, KY, TN | — | — | — | — | — | — | — | — | — |
| **WEST NORTH CENTRAL:** MN, ND, SD, IA, NE, KS, MO | + 5 | −14 | − 2 | −44 | −36 | −41 | −28 | −26 | −27 |
| **WEST SOUTH CENTRAL:** AK, LA, OK, TX | — | −21 | −21 | — | −46 | −46 | — | −13 | −13 |
| Texas | — | −21 | −21 | — | −46 | −46 | — | −13 | −13 |
| **MOUNTAIN:** NM, AZ, CO, UT, NV, WY, MT, ID | +11 | −25 | + 4 | −12 | − 9 | −11 | −10 | −10 | −10 |
| **PACIFIC:** CA, OR, WA | − 5 | −10 | − 6 | −30 | −17 | −21 | −21 | −24 | −21 |
| L.A.-San Diego | + 7 | — | + 7 | −12 | — | −12 | −11 | — | −11 |
| Oregon-Washington | − 9 | −10 | − 9 | −36 | −17 | −30 | −25 | −22 | −23 |
| **U.S. TOTALS** | − 2 | − 2 | − 2 | −27 | −23 | −25 | −14 | − 9 | −12 |

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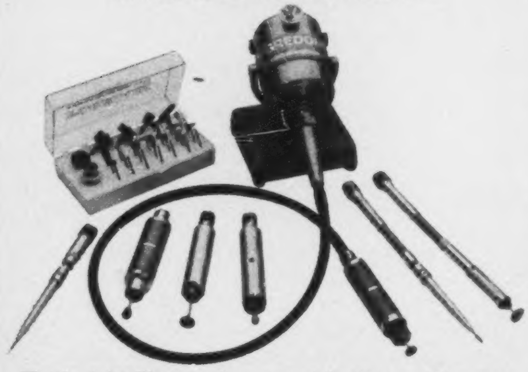

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Circle 35

## THE U.S. PORTABLE POWER TOOL MARKET (SIC 3546)

| SIC No. | Manufacturing/Durable Goods | Consumption ($ mil) |
|---|---|---|
| 24 | Lumber & Wood Products | 35 |
| 25 | Furniture, Fixtures | 40 |
| 32 | Mineral Products | 19 |
| 33 | Primary Metals | 55 |
| 34 | Fabricated Metals | 61 |
| 35 | Machinery, Computers | 148 |
| 36 | Electric, Electronic, Appliances | 98 |
| 37 | Transportation Products | 167 |
| 38 | Instruments & Controls | 22 |
| 39 | Durable Goods, N.E.C. | 8 |
| | Sub-Total ($ mil) | $ 653 |
| | **Manufacturing - Nondurable Goods** | |
| 20-21 | Foods & Tobacco | 21 |
| 22-23 | Textiles, Apparel | 24 |
| 26-27 | Paper Products, Printing | 22 |
| 28-29 | Chemical & Oil Products | 36 |
| 30-31 | Rubber, Plastics, Leather | 5 |
| 39 | Nondurable Goods, N.E.C. | 4 |
| | Sub-Total ($ mil) | $ 112 |
| | **Non-manufacturing** | |
| | Mining, Oil & Gas Extraction, Pipelines | 28 |
| | Construction, Contracting, Mechanical Services | 229 |
| | Rail Transportation (Private & Public) | 20 |
| | Auto & Truck Fleets, Bus & Taxi Companies, Auto & Truck Rental Companies | 55 |
| | Automotive (Auto, Truck, Tractor) & Machinery Maintenance/Installation Services—By Gas Station, Garage, Dealer, Retail Auto Store, Specialized Maintenance/Sales Services | 183 |
| | Marine Transportation | 4 |
| | Air Transportation | 13 |
| | Public Utilities, Communications | 10 |
| | Other Industrial, Commercial, Institutional | 58 |
| | Government, Defense | 160 |
| | All Other, Including Consumer, Agricultural | 475 |
| | Sub-Total ($ mil) | $1235 |
| | Total U.S. Market Size ($ mil) | $2000 |

Prepared by Economic Information Systems Div., Control Data, 310 Madison Avenue, New York, N. Y. 10017. EIS provides market potential reports which tell who buys what, where, and how much. The market potential reports identify the plants that comprise each customer industry for industrial products with data on the consumption volume of each plant, each country, each state, and each consuming industry. Data is available as printed reports or as computerized data bases.

# Market highlights

- On any construction job, there will be numerous subcontractors, each with his own tools of the trade. Usually, a general contractor or architect/engineer will provide some degree of coordination but craft specialization persists: excavation, foundation work, carpentry, masonry, plumbing, electrical installation, heat and air conditioning, plastering and drywall installation, etc. Some projects have as many as 60 subcontractors.

This is an attractive situation for the power tool distributor. Construction is labor-intensive and there is considerable duplication of effort with a plumber and an electrician, for example, using the same kind of saws or drills. Unlike industry, where a project is planned top to bottom with tools and other factors blueprinted to established standards, the construction industry is generally not that well-organized. Therefore, there are countless opportunities and many decision-makers available for sales of power tools at both the planning and actual construction stages.

- Industrial maintenance departments usually have better control of the tools they buy and use and are more likely to insist on top-of-the-line brands. Because of high pilferage and loss rates, building contractors may not be as selective.
- Most of the air-powered tools used in construction are applied in foundation work and some steel erection, although they are being used increasingly where a substantial pressurized air supply is available. A wide variety of air-powered demolition tools used for breaking up concrete, heavy walls and other "wrecking" functions are being used in greater volumes in the burgeoning non-residental renovation market. A *Wall Street Journal* article earlier this year reported that renovation of older buildings last year accounted for around one-third of all non-residental construction in the U.S., twice that of 10 years ago. Reason: soaring costs of new construction.
- Nailers, staplers and related tools are moving into construction as craftsmen, unions and building codes relax their resistance to this form of fastening.
- Power tool manufacturers are increasingly offering vans that go to the job site for servicing and/or demonstrating tools. All orders and leads are forwarded to the power tool distributor in the area.
- By 1990, unit sales to the construction industry are expected to nearly double in all major categories.
- Most portable power tools in industry are used in assembly and in maintenance. On assembly, air tools compete favorably with electrical.

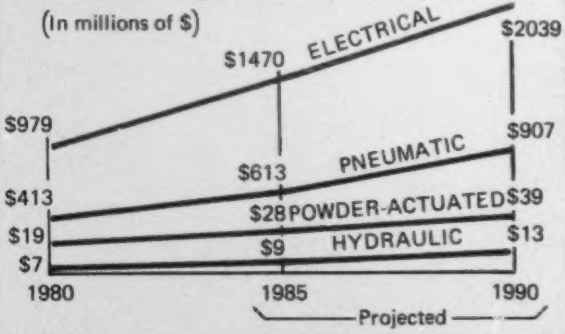
## Applications

- Both the electric and air tool manufacturers have refined their products to a point where they compete on many *industrial* applications. Choice of a tool usually rests on such factors as delicacy of the operation, weight of the tool, the level of noise, tool speed, torque and power supply.
- On light assembly, screwdrivers and nutrunners predominate, with drills, impact wrenches, light grinders and sander/polishers coming in a close second. One aerospace manufacturer estimates that about 90% of the power tools it uses are repaired; the rest are junked outright. About 90% of the tools used in light assembly and manufacturing are bought through distributors, the rest through catalog houses (mail) or direct from the tool producer. If the order or the potential is warranted, manufacturers will modify or custom-design a power tool.
- Maintenance in the plant leans toward the electric tool but only because of the availability of electrical outlets. In one maintenance department of a major home entertainment and electronics equipment plant, about half the tools are repaired, 40% are rebuilt, the rest are junked.
- Heavy manufacturing uses quantities of air, electric and some hydraulic tools, the latter in some cases for heavy torquing in assembly of large boilers and compressors. The most common tools are heavy-duty drills, impact wrenches, grinders of all types, nutsetters, chippers, hammer drills and reciprocating saws. Because they are generally built tougher for tougher jobs and, of course, are costlier than lighter-duty tools, about 80% of them are repaired and the rest rebuilt with few if any junked out of hand.
- One major producer of heavy engines indicated that he would like to see robotics replace manually controlled assembly. In the near future, this could pose a threat for power tool vendors who provide the tools for mass-production. However, no threat is foreseen where power tool mobility is a strong edge such as in construction and maintenance.
- A manufacturer of farm and off-highway equipment uses quantities of impact wrenches, nutsetters, screwdrivers, a variety of grinders, and percussion riveters. About 40% of the grinder heads are angled for user convenience. About 95% of the tools are repaired, the rest rebuilt or junked.
- More and more distributors are taking advantage of the high profit potential in power tool repair by operating their own service centers or sharing in the profits with manufacturers' field service centers.
- Metal production and fabrication are major users of heavy-duty, cleanup and finishing power tools such as snagging grinders, chippers and scalers for rough-finishing castings, billets, ingots, flashing from extruded and rolled stock, etc. Some of the same tools are used in steel fabrication and erection.
- Hydraulics are being used increasingly in construction and in heavier assembly for shearing, forming and cutoff.
- Electric utility and telephone line maintenance make heavy use of all types and sizes of electric, air and hydraulic power tools. Because of the availability of hydraulic power on the boom trucks used in the field, there is more consumption in this industry of hydraulically powered impact wrenches, augers, drills, tampers, grinders, hand-held cutoff saws and such pole-mounted units as pruners and saws.
- Anticipated average growth of the power tool market for years 1980-1990 is: electrical 8% (total sales $2.4 billion); pneumatic 8% (total sales $907 million); powder-actuated 7% (total sales $39 million); hydraulic 6% (total sales $13 million).

Basic data excerpted from *Portable Power Tools & Associated Accessories and Consumables Market* issued by Frost & Sullivan, Inc., New York, and other sources.

**Growth and potential**

Sales of all major types of portable power tools — electrical, air hydraulic, powder-actuated and self-contained gasoline driven will grow an average of 7% through 1985 and at least until 1990 according to a 1981 study by Frost & Sullivan.



# *ID*'s quarterly inflation index

## Business remains dismal even though the 1982 inflation rate is shaping up to only 40% of '81

Based on the first three quarters of 1982, we predict that the overall 1982 inflation rate for industrial products stocked by ***ID***'s distributor readers will not exceed 3.5%, based on the 32 product lines in the Silver/***ID*** inflation index. This represents a 60% drop from the 8.9% inflation rate for 1981 and a 66% drop from the 11.1% for 1980. As Table 1 indicates, the NIDA/SIDA index of 10 product lines shows just about the same downward trend. Moreover, all of the eight industry inflation indexes in Table 1 reflect the same general downward trend for inflation over the same period in '81-'82.

Of the 32 industrial commodity lines in Table 2, only five show an annual inflation rate projected for 1982 overall (Column 6) in excess of 6%. These are "Misc. rubber products, Finished steel products, Hand tools, Metal forming machine tools, and Fluid power equipment."

Another five show either zero or negative inflation projected for the year. These are "Plastic construction products, Wire and cable, Copper wire and cable, Aluminum wire and cable, and Plain bearings." The other 12 lines project an inflation rate of under 6%, one sign of possible recovery.

### Table 1—Comparing inflation indexes

| Col. 1 | Col. 2 | Col. 3 | Col. 4 | Col. 5 |
|---|---|---|---|---|
| | *BLS inflation rates (%) | | | |
| | Current qtr 9/82 vs 6/82 annualized | Year-to-date 9/82 vs 12/81 annualized | 12/81 vs 12/80 | 12/80 vs 12/79 |
| Silver/*ID* index of 32 industrial product groups | 2.8% | 3.5% | 8.9% | 11.1% |
| NIDA/SIDA index of 10 industrial product groups | 0.8% | 4.4% | 9.4% | 11.0% |
| **PPI index of industrial commodities | 2.8% | 1.2% | 8.4% | 13.2% |
| Avg. of above indexes | 2.1% | 3.0% | 8.9% | 11.8% |
| PPI index of finished goods (indl/agric) | 2.0% | 2.9% | 7.0% | 12.9% |
| Silver/Wholesaler index of 19 lines (plmbg/htng) | -2.4% | 2.7% | 6.0% | 9.3% |
| Electrical Marketing index of 24 product groups | 0.4% | 1.7% | 6.7% | 10.3% |
| ***NAED inflation index: 16 product groups | 8.2% | 5.7% | 7.9% | 11.3% |
| Consumer Price index | 3.6% | 5.6% | 8.9% | 12.4% |

*Bureau of Labor Statistics

**Producers Price Index (formerly Wholesale Price Index)

***National Assn. of Electrical Distributors (non-BLS)

NOTE: All figures are based on BLS unadjusted indexes unless otherwise noted. For the first quarter of each year, the first two columns of figures will be alike. For all other quarters, the first column will be the last quarter annualized, and the second column of figures will be current year-to-date annualized. Subsequent inflation index reports will follow the above format.

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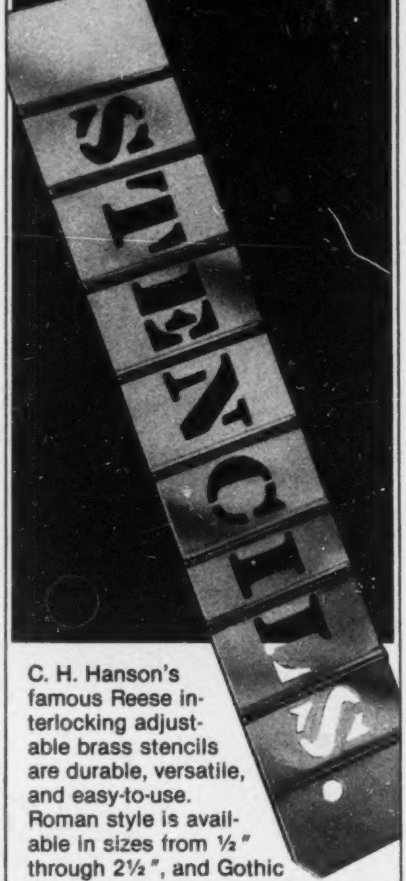

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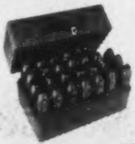

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## Table 2—ID quarterly inflation index for industrial distributors (1967 = 100)

| Col. 1<br>Product category | Col. 2<br>Current qtr 9/82 | Col. 3<br>Previous qtr 6/82 | Col. 4<br>% inflation | Col. 5<br>Current qtr annualized % | Col. 6<br>Year-to-date 9/82 vs 12/81 annualized % | Col. 7<br>4th qtr 81 | Col. 8<br>4th qtr 80 | Col.9<br>Annual inflation 81 % |
|---|---|---|---|---|---|---|---|---|
| Industrial oil | 365.8 | 364.2 | 0.4 | 1.6 | 2.3 | 359.8 | 327.2 | 10.0 |
| Prepared paint | 265.1 | 265.1 | 0.0 | 0.0 | 4.4 | 256.7 | 241.7 | 6.2 |
| *Rubber belts & belting | 325.5 | 330.5 | -1.5 | - 6.0 | 5.6 | 312.3 | 271.3 | 15.1 |
| Other misc. rubber products | 297.5 | 293.9 | 1.2 | 4.8 | 9.6 | 277.6 | 236.4 | 17.4 |
| Plastic construction products | 148.8 | 148.6 | 0.1 | 0.4 | -4.0 | 153.4 | 153.7 | - 0.2 |
| Semi-finished steel products | 370.5 | 348.6 | 6.3 | 25.2 | 8.8 | 347.5 | 311.4 | 11.6 |
| Wire & cable | 200.5 | 204.4 | -1.9 | - 7.6 | -4.0 | 206.7 | 214.0 | - 3.4 |
| Copper wire & cable | 193.4 | 196.9 | -1.8 | - 7.2 | -3.7 | 198.9 | 207.6 | - 4.2 |
| Aluminum wire & cable | 230.1 | 236.9 | -2.7 | -10.8 | -6.0 | 240.9 | 234.0 | 2.9 |
| Builders hardware | 271.6 | 271.6 | 0.0 | 0 0 | 2.8 | 266.1 | 242.7 | 9.6 |
| *Hand tools | 342.3 | 337.0 | 1.6 | 6.4 | 7.9 | 323.3 | 291.8 | 10.8 |
| *Misc. metal products | 289.3 | 289.5 | -0.1 | - 0.4 | 3.7 | 281.4 | 258.4 | 8.9 |
| Industrial safety eq. | 130.4 | 129.9 | 0.4 | 1.6 | 5.6 | 125.1 | 117.9 | 6.1 |
| *Bolts, nuts, screws & rivets (fasteners) | 274.4 | 273.6 | 0.3 | 1.2 | 2.5 | 269.3 | 251.0 | 7.3 |
| *Power-driven hand tools | 221.7 | 221.7 | 0.0 | 0.0 | 4.4 | 214.7 | 199.0 | 7.9 |
| Welding machines & eq. | 273.0 | 267.4 | 2.1 | 8.4 | 1.5 | 270.0 | 249.1 | 8.4 |
| *Cutting tools & accessories | 271.7 | 273.0 | -0.5 | - 2.0 | 4.0 | 263.9 | 240.6 | 9.7 |
| Precision measuring tools | 239.9 | 238.6 | 0.5 | 2.0 | 3.9 | 233.1 | 214.3 | 8.8 |
| *Abrasive products | 298.4 | 298.1 | 0.1 | 0.4 | 5.9 | 285.7 | 261.5 | 9.3 |
| Metal cutting machine tools | 372.0 | 370.2 | 0.5 | 2.0 | 4.8 | 359.1 | 330.6 | 8.6 |
| Metal forming machine tools | 410.6 | 400.9 | 2.4 | 9.6 | 7.3 | 389.2 | 363.2 | 7.2 |
| Pumps, compressors & eq. | 348.0 | 347.3 | 0.2 | 0.8 | 3.7 | 338.4 | 304.7 | 11.1 |
| Fluid power eq. | 245.9 | 242.9 | 1.2 | 4.8 | 6.8 | 234.0 | 211.3 | 10.7 |
| *Industrial material handling eq. | 285.8 | 286.9 | -0.4 | - 1.6 | 0.5 | 284.6 | 261.7 | 8.8 |
| *Mechanical power transmission eq. | 315.1 | 312.1 | 0.9 | 3.6 | 3.7 | 306.6 | 279.4 | 9.7 |
| *Valves & fittings | 323.1 | 321.6 | 0.5 | 2.0 | 2.8 | 316.5 | 296.5 | 6.7 |
| Ball & roller bearings | 335.3 | 334.0 | 0.4 | 1.6 | 5.7 | 321.6 | 279.0 | 15.3 |
| Plain bearings | 261.1 | 274.1 | -4.7 | -18.8 | -5.2 | 271.6 | 271.5 | 0.0 |
| Wiring devices | 325.7 | 322.7 | 0.9 | 3.6 | 2.8 | 318.9 | 277.3 | 15.0 |
| Electrical instruments | 257.6 | 258.3 | -0.3 | - 1.2 | 3.5 | 251.1 | 210.8 | 19.1 |
| Electric motors | 290.8 | 288.0 | 1.0 | 4.0 | 3.2 | 284.1 | 255.5 | 11.2 |
| Generators & generator sets | 344.6 | 340.9 | 1.1 | 4.4 | 3.1 | 336.8 | 311.2 | 8.2 |
| NIDA/SIDA composite | 294.8 | 294.3 | 0.2 | 0.8 | 4.4 | 285.5 | 260.9 | 9.4 |
| Silver/ID composite | 285.2 | 283.1 | 0.7 | 2.8 | 3.5 | 278.1 | 255.1 | 9.0 |

*Included in NIDA/SIDA composite

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# Industrial Distribution

February 1983

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## Indicators . . .

Economic recovery may yet be just around the corner, but judging from the *NIDA-SIDA Industrial Distribution index*, the corner is not in sight. The national index fell 3 points (3%) in November to 106.8—33.2 points lower than in November, 1981. Each of the four *NIDA-SIDA* regions contributed to the decline. The east posted a drop of 2.1 points (2%)—down 29 points from last year. Similar losses were felt in the midwest, down 3.6 points (4%) to 90.1—32.1 points lower than in November, 1981. In the west a decline of 3.6 points (3%) to 135.0 was reported. In the south, the decline was only slightly less severe. In that region sales decreased 1.3 points (1%) to 119.7—36.5 points lower than last year. These dismal statistics were offset somewhat by the continuing decline in the inflation rate. In November the rate of inflation dropped .2 points (1%) which brought the inflation factor for the past 12 months to 3.5% . . . The *SIDA Monthly Sales Trend Report* for October showed sales down 1.79% over the month before and 26.54% behind those of October, 1981. Year-to-date figures plunged to 18.63% compared to last year. Still more discouraging was another jump in the average collection days—up to 44 from September's high of 40 . . . *ASMMA's new order index* stood at 87.8 points in October, down 4.3 points (4.7%) from September . . . *The National Wholesale Hardware Assn.'s Sales Index* posted a 4.5% increase to 107.4 points from October, 1982. Compared to last year's figures this means an overall increase of 7.4% . . . *The National Welding Supply Assn.'s Welding Supply Index* showed a slight increase of .2% to 131.8 points in November, leaving year-to-date purchases off 10.5% for 11 months compared to last year . . . Following a 37.17% growth in October, the *National Machine Tool Builders Assn.* reported a drop in net new orders to $88.2 million in November--down 26% from October and down 55% compared to November, 1981 . . . According to the *American Machine Tool Distributors Assn. (AMTDA)*, sales of new machine tools registered a 28.6% gain in October from the previous month. Despite the gains, orders showed a decline of 29.7% from the same period last year . . . The *Material Handling Institute* reports drops of 29.93% in bookings and a 10.7% drop in shipments.

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## Sales of industrial heating equipment to rise 5% annually

NEW YORK—The market for industrial heating furnaces, ovens and kilns will grow an average 5% per year through 1991, according to a study by Frost & Sullivan, Inc. Total category sales are forecast to rise to $2.14 billion, in constant 1981 dollars, from the $1.25 billion level reached in 1981. According to a study in the firm's *Industrial Heating Equipment Market*, the U.S. industry accounts for about 36% of the national energy consumption, with about one-third of this or 12% going into manufacturing, more than half of which is consumed by furnaces, kilns and ovens.

The study further points to "an unequalled opportunity for heating equipment manufacturers since more than half of the ovens, furnaces and kilns operating today were installed more than ten years ago when energy costs were about a quarter of what they are today. One-third of the furnaces and heat treating equipment installations in this country are over 20 years old, along with 17% of the ovens," states the study.

The report adds that recent high interest rates have been the main deterrent to the replacement of many ovens, even with the new tax legislation which allows costs to be recovered over a shorter period.□

### Heating equipment components to grow over 50% by 1991

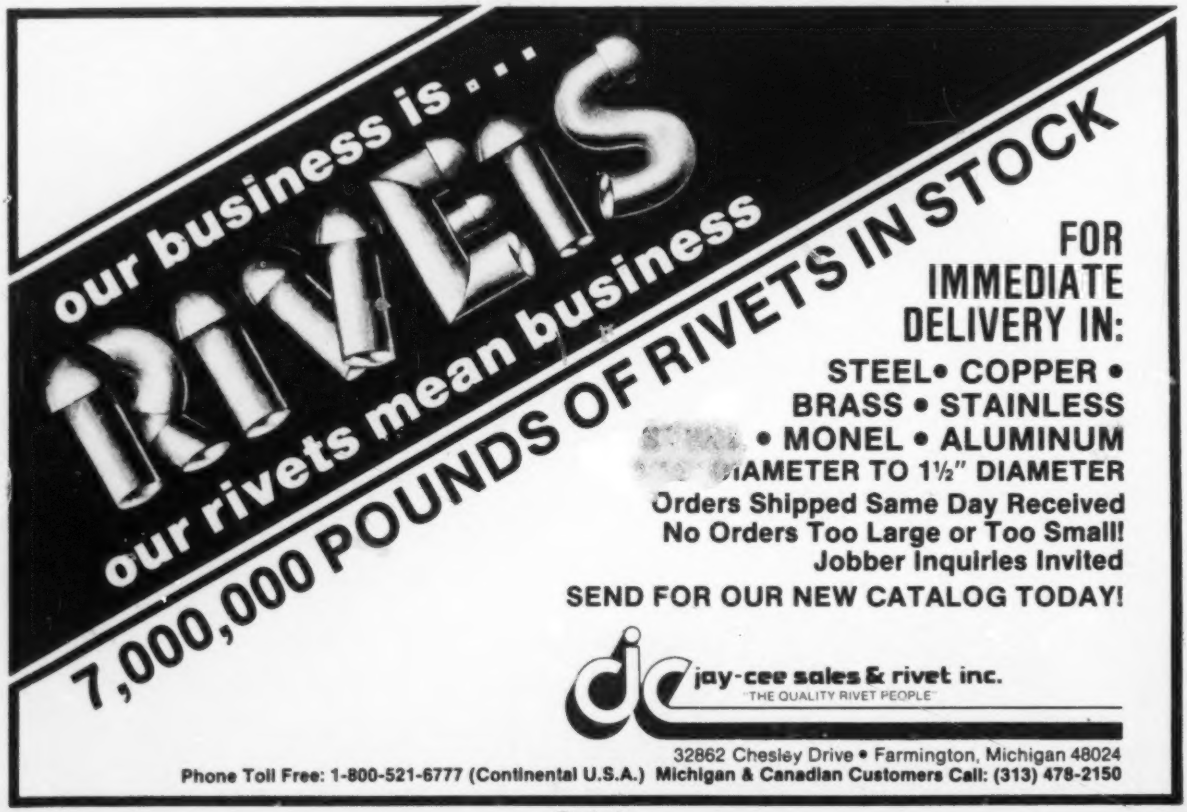
**Shipments by Product Type**

**(Values in millions of dollars)**

| | 1981 | 1991 | Average Growth 1981-91 |
|---|---|---|---|
| Melt, refine & hold furnaces | 86.0 | 126.4 | 4% |
| Hot form, forge & preheat furnaces | 65.0 | 102.7 | 5% |
| Heat treat & process furnaces | 443.7 | 821.4 | 6% |
| Ovens & kilns | 233.3 | 297.2 | 3% |
| Miscellaneous heaters, atmosphere generators, etc | 324.3 | 523.2 | 5% |
| *Components & parts | 98.5 | 158.9 | 5% |
| Totals | 1250.5 | 2137.6 | 5% |

Note: Values for 1982 through 1991 are in 1981 constant dollars.
Source for table: Frost & Sullivan, Inc.

***Distributor-sold items:** pipe, tubing and fittings . . . gate, globe, butterfly, ball and check valves . . . steam traps . . . strainers . . . pressure and temperature gauges . . . hygrometers . . . pipe cleaning equipment and supplies . . . coatings and finishes . . . industrial hose and fittings . . . tube and pipe bending, cutting, threading, flaring, swaging equipment . . . sealing and packing compounds and supplies . . . insulating materials . . . wire brushes and scraping tools . . . waterproofing, high-temperature and pressure cements . . . filters . . . safety valves . . . welding supplies and equipment . . . propane torches . . . soldering and brazing materials and equipment . . . insulated gloves, goggles . . . furnace and boiler controls . . . fans . . . drop-lights . . . fire fighting and detection equipment and supplies . . . warning signs . . .



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# Sales mixed in November

Although minus signs abound in November's sales results, there are some areas in the plus column with other figures indicating some improvement in the total sales picture.

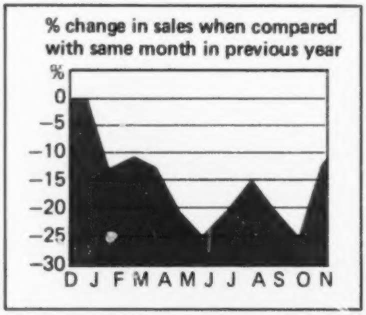
Overall, November '82 against November '81 shows a decline of 13%. This compares with a decline of 25% in October (see graph). Three regions, the South Atlantic, East North Central and Pacific account for most of the gain, having taken less declines in November '82 when compared with November '81. South Atlantic's 0 or flat figure for November was − 12 in October; East North Central's − 15 was − 31, and Pacific's − 12 was − 21 respectively.

The results from New England and the Middle Atlantic regions were mixed, although the Middle Atlantic reports a marked improvement in sales, month-to-month, when compared with Sept.-Oct. results. New England is the only region to have a sales gain, month-to-month, this for the third straight month. Georgia-Florida are the only states within a region to have a sales gain (10%) based on November '82 against November '81. A few spotty plus signs show up among the East North Central states, on a month-to-month basis.

In the figures comparing the first 11 months of '82 with '81, no region is yet in the plus column, and only Indiana has a sales gain among individual state comparisons. Although the declines are less severe than last month, there is no indication yet of the development of a positive trend. ☐

| RECEIVABLES* | Nov. 1982 | | Nov. 1981 | |
|---|---|---|---|---|
| | Gen. | Spec. | Gen. | Spec. |
| **New England** | 42.4 | 64.4 | 44.0 | 53.4 |
| **Middle Atlantic** | 43.4 | 46.6 | 43.0 | 48.5 |
| **South Atlantic** | 32.3 | 35.5 | 33.4 | 35.9 |
| **East North Central** | 35.1 | 45.0 | 38.4 | 48.1 |
| **East South Central** | 32.0 | — | 38.0 | — |
| **West North Central** | 36.5 | 39.0 | 38.4 | 39.5 |
| **West South Central** | — | 39.5 | — | 47.3 |
| **Mountain** | — | 48.0 | — | 43.0 |
| **Pacific** | 38.0 | 42.0 | 39.6 | 42.8 |
| **National** | 36.0 | 44.0 | 37.5 | 45.3 |

*Average days outstanding



**November sales, reflecting mixed reporting, indicate 13% decline . . .**

| SALES BY REGIONS (% change) | Nov. '82 vs. Oct. '82 | | | Nov. '82 vs Nov. '81 | | | 1st 11 mos. '82 vs. 1st 11 mos. '81 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gen. | Spec. | Both | Gen. | Spec. | Both | Gen. | Spec. | Both |
| **NEW ENGLAND:** CT, RI, MA, NH, VT, ME | + 7 | − 28 | + 2 | − 3 | − 34 | − 7 | − 9 | − 27 | − 12 |
| Connecticut | + 16 | − 28 | + 5 | − 5 | − 34 | − 11 | − 15 | − 27 | − 18 |
| Massachusetts | − 6 | — | − 6 | − 31 | — | − 31 | − 11 | — | − 11 |
| **MIDDLE ATLANTIC:** NY, NJ, PA | − 7 | − 1 | − 4 | − 21 | − 10 | − 15 | − 17 | − 3 | − 10 |
| New York Metropolitan Area | + 3 | + 12 | + 8 | − 3 | − 12 | − 8 | − 7 | − 11 | − 10 |
| Upstate New York | − 1 | + 1 | 0 | − 16 | − 9 | − 14 | − 12 | − 2 | − 9 |
| Pennsylvania | − 15 | − 10 | − 12 | − 32 | 0 | − 18 | − 24 | − 2 | − 13 |
| **SOUTH ATLANTIC:** DE, DC, MD, FL, GA, NC, SC, VA, WV | − 8 | − 3 | − 6 | − 6 | + 5 | 0 | − 5 | − 19 | − 13 |
| Georgia-Florida | − 25 | + 3 | − 1 | + 1 | + 11 | + 10 | − 16 | − 5 | − 6 |
| **EAST NORTH CENTRAL:** OH, IN, IL, MI, WI | 0 | − 4 | − 2 | − 9 | − 21 | − 15 | − 13 | − 8 | − 11 |
| Indiana | − 1 | + 2 | 0 | − 4 | + 20 | 0 | + 11 | − 23 | + 6 |
| Wisconsin | − 7 | − 8 | − 8 | − 16 | − 30 | − 27 | − 16 | − 7 | − 9 |
| Chicago | + 12 | + 5 | + 6 | − 33 | − 9 | − 16 | − 32 | − 15 | − 20 |
| Michigan | + 9 | − 19 | + 3 | − 4 | − 30 | − 11 | − 29 | + 40 | − 19 |
| Ohio | + 1 | − 11 | − 2 | − 4 | − 24 | − 10 | − 11 | + 4 | − 7 |
| **EAST SOUTH CENTRAL:** AL, MS, KY, TN | − 10 | — | − 10 | − 21 | — | − 21 | − 7 | — | − 7 |
| **WEST NORTH CENTRAL:** MN, ND, SD, IA, NE, KS, MO | − 22 | − 2 | − 6 | − 44 | − 25 | − 29 | − 29 | − 11 | − 15 |
| **WEST SOUTH CENTRAL:** AK, LA, OK, TX | — | − 16 | − 16 | — | − 40 | − 40 | — | − 16 | − 16 |
| Texas | — | − 16 | − 16 | — | − 40 | − 40 | — | − 16 | − 16 |
| **MOUNTAIN:** NM, AZ, CO, UT, NV, WY, MT, ID | − 11 | − 22 | − 17 | − 22 | − 26 | − 24 | − 11 | − 4 | − 7 |
| **PACIFIC:** CA, OR, WA | − 12 | − 7 | − 9 | − 18 | − 5 | − 12 | − 13 | − 12 | − 13 |
| L.A.-San Diego | − 16 | + 7 | − 4 | − 19 | + 5 | − 6 | − 10 | − 2 | − 6 |
| Oregon-Washington | − 10 | − 14 | − 12 | − 18 | − 10 | − 15 | − 14 | − 16 | − 15 |
| **U.S. TOTALS** | − 5 | − 5 | − 5 | − 12 | − 14 | − 13 | − 13 | − 11 | − 12 |

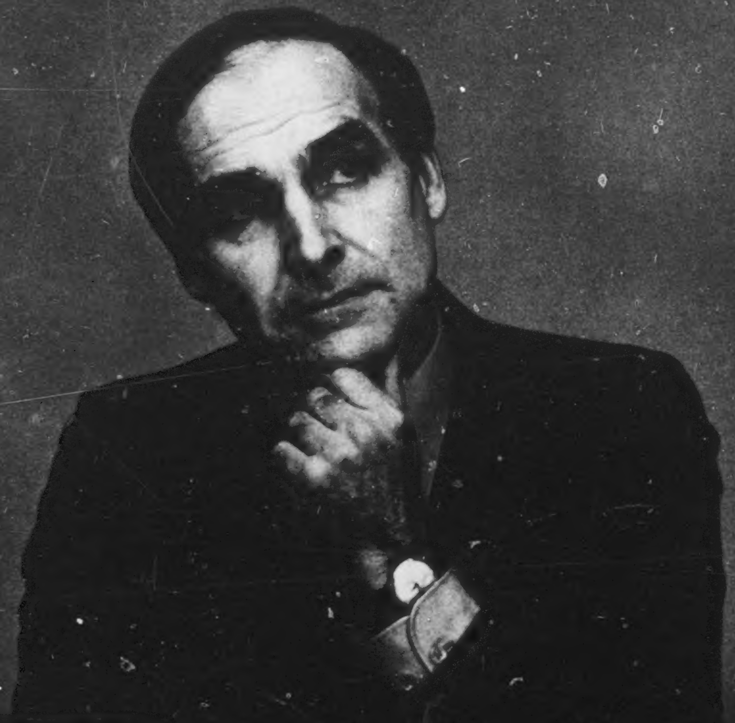
# Industrial Distribution

March 1983

Hotline: Distributor-opportunity seen in phase-in of hi-tech

1 C6185-2 3/31/83

## Product lines: a perennial problem



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A Morgan-Grampian publication

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## Indicators . . .

The inflation factor compiled by the NIDA/SIDA *Industrial Supply Inflation Index*, again appears to be not a factor in December, advancing from 153.5 in November to 153.7 in December, +0.1%, or +3.0% year-to-year. NIDA/SIDA's *Industrial Distribution Index* fell from 106.8 in November to 100.7 in December, or 6.1 points. The report showed uniformity with all regions of the country falling by approximately the same amount, between six and seven points, although in percentages, the midwest was down the most (approximately 8%), the south the least (about 6%).

According to NMTBA, the American machine tool industry will close out 1982 with orders off almost 50% from 1981 levels. Total net new orders of metal-cutting and metal-forming tools decreased 49% for the twelve-month period ending December 31. Orders for the year were the lowest since 1975, reaching $1.49 billion compared to 2.94 billion in 1981. Industry shipments were off 29% marking the first decrease in shipments in six years.

The National Wholesale Hardware Assn's. December figures show a decline of 5.8 points nationally, with two regions of the country showing increases. The Plains States consisting of Montana, North Dakota and Minnesota down to Colorado, Kansas and Missouri, show a gain of 12.1 points or slightly better than 10%; the East Central states of West Virginia, Maryland, Delaware, Kentucky and Virginia, recorded a gain of 5.3 points or approximately 6%.

Other indicators also include some bright spots. The Copper & Brass Servicenter Association reports that shipments of copper products (with the exception of free cutting brass rod) rose in November, back to September's levels. Shipments of copper and brass mill products by distributors were up 5.6% registering 78.4 on the *CBSA Index*. The steady but gradual decline in inventory levels continued for most copper products during November, off 1.3% from the previous month. Distributors' inventories of all copper and brass mill products are more than 21% behind year-ago levels. Shipments of free cutting brass rod declined 4% from those registered in October to the lowest level recorded since the report was first compiled in 1979.

The Conference Board reports that U.S. consumer confidence failed to improve in December after a brief spurt the previous month. With the board's *Consumer Confidence Index* pegged at 100 for 1969-1970, December came in at 54.4, virtually unchanged from November's 54.8 reading.

## Distributor sales of machine tools down over 20%

BETHESDA, MD — November sales of new machine tools in the U.S. by distributors registered a 23.8% decline from the previous month, according to the American Machine Tool Distributors' Association.

AMTDA Executive vice president Robert A. Gale explains: "While the November decline represents the sixth monthly decrease in 1982, it follows strong monthly gains in both September and October of 10.6% and 28.6% respectively. Overall, for the first eleven months of 1982, distributor new orders were down 47.9% from orders for the first eleven months of 1981."

Both metal cutting and metal forming machine tools participated in the November decline, with metal cutting machine tools declining 18.3% and metal forming machine tools dropping 54.1% from the October levels. During the first eleven months of 1982, new orders for metal cutting machine tools were down 47.0% and metal forming machine tools were down 48.4% from the comparable '81 period.□

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## Distributor acquistions maintained active pace in '82

CHICAGO — Acquistion activity in the wholesale-distribution industry remained high in 1982 according to Duff and Phelps, Inc., an investment research and consulting firm. The average transaction of $19.4 million represents a significant increase from the 1981 average of $13.3 million (see table). Part of the jump is attributed to several large transactions.

The largest transactions include acquistion of General Automotive Parts Corp. by Genuine Parts Co. ($279.4 million in stock), acquistion of the food distribution center of Waples-Platter by Fleming Companies (nearly $90 million), and acquistion of Harvey Electronics by Pioneer Standard Electronics ($32 million in cash and notes). The average price-to-earnings ratio was 9.8 compared to 9.9 in 1981. This ratio remains substantially lower than that for all U.S. acquisitions, which are heavily dominated by manufacturing companies and financial institutions which had an average of approximately 11.7 times earnings in 1982.

Seventeen of the wholesale-distribution firms purchased in 1982 were running at a loss, compared to seven for the prior year. The acquisitions of distressed firms had a limited effect on the average premimum paid over net worth: the ratio of purchase price to net worth averaged 125% compared to 132% in 1981.

Publicly held companies are actively acquiring wholesale-distribution firms. In 1982, 67% of all buyers were publicly held, compared to 74% in 1981. Approximately 65% of sellers in 1982 were privately owned, compared to 70% in 1981.

Nine acquirers in 1982 were foreign companies, four based in the United Kingdom, three in Canada, one in Switzerland and one in Japan. Foreign tranactions completed in the second half include the purchase of W. H. Smith Paper Co., an Albany-based distributor of fine papers, by Rolland Inc., headquartered in Montreal. Another Canadian firm, Federal Industries, a San Jose distributor of aviation products for $5.4 million in cash and notes. C. Itoh & Co., a Japanese trading company, used cash to acquire an 81% interest in Lafayette Metals, Inc., a steel service center located in Long Beach, CA. Itoh paid book value for the company.

Acquisition activity was down during the last half of 1982, mirroring the general economic downturn. The number of tranactions completed in the second half of 1982 fell to 46 from 64 in the first half.□

WHOLESALE DISTRIBUTION ACQUISITION ACTIVITY

| | Year Ended 12/31/82 | Year Ended 12/31/81 |
|---|---|---|
| Number of Transactions | 110 | 111 |
| Average Transaction (Millions) | $19.4 | $13.3 |
| Price Earnings Ratio | 9.8 | 9.9 |
| Price to Net Worth | 125% | 132% |

## Regional Report

# December sales fail to improve

A mixed sales pattern in November was not carried through to December, thereby closing out 1982 with a resumption of the downtrend.

December '82 figures, when measured against December '81, indicate a decline of 24%, matching the second worst decline of the year. Not one region showed a gain in the December comparisons, most being off in double figures.

The same bearish reporting is reflected in the twelve months of '82 compared to '81, with only New England, on the strength of data received from Massachusetts, doing better than most other regions.

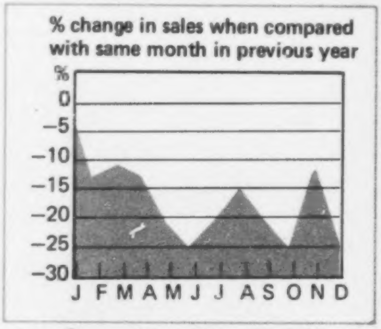
On a month-to-month analysis, the figures look a little better. Comparing December to November, the Middle Atlantic, West North Central, Mountain and Pacific regions are in the plus column. No region is down greater than 10%, with the country as a whole down 11%. This is still 6% greater than -5% recorded last month. (Nov. '82 against Oct. '82).

Among the states, the Georgia-Florida area, after several promising months, has retreated back to the negative camp. Indiana also fell back, showing negatives in all the categories reporting.

Receivables remained close to the 40-day figure, on average, reflecting the lack of business improvement. The table indicates a remarkable consistency of figures, nationwide. Despite regional differences in sales, "cash flow" difficulties appear to pose the same problems throughout the country.☐

| RECEIVABLES* | Dec. 1982 |  | Dec. 1981 |  |
|---|---|---|---|---|
|  | Gen. | Spec. | Gen. | Spec. |
| **New England** | 42 | 45.9 | 39.5 | 42.5 |
| **Middle Atlantic** | 43.3 | 44.4 | 41 | 45.5 |
| **South Atlantic** | 35 | 36.7 | 35.5 | 37 |
| **East North Central** | 37.9 | 38.4 | 39.3 | 36.5 |
| **East South Central** | 40.4 | — | 37.5 | — |
| **West North Central** | 36.2 | 37 | 36.5 | 40 |
| **West South Central** | — | 43.1 | — | 42 |
| **Mountain** | — | — | — | — |
| **Pacific** | 39.6 | 42.9 | 37.6 | 41.6 |
| **National** | 39 | 39.3 | 38.5 | 40.4 |

*Average days outstanding



**December sales resume downtrend . . .**

| SALES BY REGIONS (% change) | Dec. '82 vs. Nov. '82 |  |  | Dec. '82 vs Dec. '81 |  |  | 1st 12 mos. '82 vs. 1st 12 mos. '81 |  |  |
|---|---|---|---|---|---|---|---|---|---|
|  | Gen. | Spec. | Both | Gen. | Spec. | Both | Gen. | Spec. | Both |
| **NEW ENGLAND:** CT, RI, MA, NH, VT, ME | −13 | −4 | −10 | −26 | −11 | −20 | −12 | +3 | −6 |
| Connecticut | −25 | +20 | −18 | −39 | −28 | −37 | −17 | −27 | −19 |
| Massachusetts | −10 | −5 | −7 | −29 | −5 | −12 | −13 | +11 | +1 |
| **MIDDLE ATLANTIC:** NY, NJ, PA | 0 | +6 | +3 | −26 | −10 | −17 | −14 | −7 | −10 |
| New York Metropolitan Area | −7 | −12 | −10 | −26 | −24 | −25 | −9 | −13 | −11 |
| Upstate New York | +9 | +22 | +12 | −4 | −7 | −5 | −11 | −3 | −9 |
| Pennsylvania | +2 | +22 | +14 | −39 | +4 | −16 | −20 | −1 | −10 |
| **SOUTH ATLANTIC:** DE, DC, MD, FL, GA, NC, SC, VA, WV | +1 | −6 | −3 | −14 | −1 | −8 | −9 | −5 | −7 |
| Georgia-Florida | +1 | −5 | −4 | −21 | +2 | −6 | −18 | −4 | −9 |
| **EAST NORTH CENTRAL:** OH, IN, IL, MI, WI | −9 | −3 | −7 | −14 | −25 | −19 | −18 | −10 | −15 |
| Indiana | — | −34 | −34 | — | −72 | −72 | — | −30 | −30 |
| Wisconsin | 0 | +17 | +9 | −20 | −24 | −22 | −16 | −8 | −12 |
| Chicago | — | −24 | −24 | — | −33 | −33 | — | −17 | −17 |
| Michigan | −19 | +6 | −14 | −20 | +23 | −12 | −26 | +12 | −19 |
| Ohio | −7 | −21 | −8 | +1 | −16 | −1 | −14 | +15 | −11 |
| **EAST SOUTH CENTRAL:** AL, MS, KY, TN | −6 | −2 | −5 | −22 | +73 | −8 | −14 | −3 | −12 |
| **WEST NORTH CENTRAL:** MN, ND, SD, IA, NE, KS, MO | 0 | +13 | +8 | −21 | −17 | −19 | −29 | −17 | −22 |
| **WEST SOUTH CENTRAL:** AK, LA, OK, TX | −5 | +8 | +2 | −37 | −45 | −42 | −21 | −19 | −20 |
| Texas | +13 | +8 | +9 | −54 | −45 | −47 | −30 | −19 | −21 |
| **MOUNTAIN:** NM, AZ, CO, UT, NV, WY, MT, ID | +5 | −20 | +1 | −11 | −17 | −13 | −11 | −10 | −11 |
| **PACIFIC:** CA, OR, WA | −1 | +5 | +1 | −20 | −5 | −14 | −16 | −13 | −15 |
| L.A.-San Diego | −16 | −12 | −13 | −26 | −6 | −15 | −11 | −2 | −6 |
| Oregon-Washington | +3 | +15 | +8 | −19 | −4 | −14 | −19 | −17 | −18 |
| **U.S. TOTALS** | −20 | 0 | −11 | −32 | −14 | −24 | −18 | −8 | −14 |

*Inflation rate is down 50% from the first quarter of '82*

# *ID*'s quarterly inflation index (1967 = 100)

| Product category | Current qtr 12/82 | Previous qtr 9/82 | % inflation | Current qtr annualized % | Year-to-date 12/82 vs 12/81 % | Year-to-date annualized % | Same qtr last year 12/81 |
|---|---|---|---|---|---|---|---|
| Industrial oil | 372.9 | 365.8 | 1.9 | 7.6 | 3.6 | 3.6 | 359.8 |
| Prepared paint | 265.1 | 265.1 | 0.0 | 0.0 | 3.3 | 3.3 | 256.7 |
| *Rubber belts & belting | 328.1 | 325.5 | 0.8 | 3.2 | 5.1 | 5.1 | 312.3 |
| Other misc. rubber products | 294.3 | 297.5 | -1.1 | -4.4 | 6.0 | 6.0 | 277.6 |
| Plastic construction products | 153.1 | 148.8 | 2.9 | 11.6 | -0.2 | -0.2 | 153.4 |
| Semi-finished steel products | 368.7 | 370.5 | -0.5 | -2.0 | 6.1 | 6.1 | 347.5 |
| Wire & cable | 198.1 | 200.5 | -0.2 | -0.8 | -4.2 | -4.2 | 206.7 |
| Copper wire & cable | 190.9 | 193.4 | -1.3 | -5.2 | -4.0 | -4.0 | 198.9 |
| Aluminum wire & cable | 229.2 | 230.1 | -0.4 | -1.6 | -4.9 | -4.9 | 240.9 |
| Builders hardware | 272.6 | 271.6 | 0.4 | 1.6 | 2.4 | 2.4 | 266.1 |
| *Hand tools | 342.1 | 342.3 | -0.1 | -0.4 | 5.8 | 5.8 | 323.3 |
| *Misc. metal products | 288.7 | 289.3 | -0.2 | -0.8 | 2.6 | 2.6 | 281.4 |
| Industrial safety eq. | 130.6 | 130.4 | 0.2 | 0.8 | 4.4 | 4.4 | 125.1 |
| *Bolts, nuts, screws & rivets (fasteners) | 270.0 | 274.4 | -1.6 | -6.4 | 0.3 | 0.3 | 269.3 |
| *Power-driven hand tools | 221.6 | 221.7 | 0.0 | 0.0 | 3.2 | 3.2 | 214.7 |
| Welding machines & eq. | 273.1 | 273.0 | 0.0 | 0.0 | 1.1 | 1.1 | 270.0 |
| *Cutting tools & accessories | 272.1 | 271.1 | 0.1 | 0.4 | 3.1 | 3.1 | 263.9 |
| Precision measuring tools | 241.5 | 239.9 | 0.7 | 2.8 | 3.6 | 3.6 | 233.1 |
| *Abrasive products | 298.4 | 298.4 | 0.0 | 0.0 | 4.4 | 4.4 | 285.7 |
| Metal cutting machine tools | 372.7 | 372.0 | 0.2 | 0.8 | 3.8 | 3.8 | 359.1 |
| Metal forming machine tools | 411.8 | 410.6 | 0.3 | 1.2 | 5.8 | 5.8 | 389.2 |
| Pumps, compressors & eq. | 348.2 | 348.0 | 0.1 | 0.4 | 2.9 | 2.9 | 338.4 |
| Fluid power eq. | 248.9 | 245.9 | 1.2 | 4.8 | 6.4 | 6.4 | 234.0 |
| *Industrial material handling eq. | 286.9 | 285.8 | 0.4 | 1.6 | 0.8 | 0.8 | 284.6 |
| *Mechanical power transmission eq. | 312.0 | 315.1 | -1.0 | -4.0 | 1.8 | 1.8 | 306.6 |
| *Valves & fittings | 323.5 | 323.1 | 0.1 | 0.4 | 2.2 | 2.2 | 316.5 |
| Ball & roller bearings | 335.3 | 335.3 | 0.0 | 0.0 | 4.3 | 4.3 | 321.6 |
| Plain bearings | 257.0 | 261.1 | -1.6 | -6.4 | -5.4 | -5.4 | 271.6 |
| Wiring devices | 327.8 | 325.7 | 0.6 | 2.4 | 2.8 | 2.8 | 318.9 |
| Electrical instruments | 261.9 | 257.6 | 1.7 | 6.8 | 4.3 | 4.3 | 251.1 |
| Electric motors | 298.8 | 290.8 | 2.8 | 11.2 | 5.2 | 5.2 | 284.1 |
| Generators & generator sets | 331.1 | 344.6 | -3.1 | -12.4 | -1.7 | -1.7 | 336.8 |
| NIDA/SIDA composite | 294.2 | 294.8 | -0.2 | -0.8 | 3.0 | 3.0 | 285.5 |
| Silver/ID composite | 285.2 | 285.2 | 0.0 | 0.0 | 2.6 | 2.6 | 278.1 |

*Included in NIDA/SIDA composite

| Current qtr vs same qtr last year | 4th qtr 81 | 4th qtr 80 | Annual inflation 81 % |
|---|---|---|---|
| 3.6 | 359.8 | 327.2 | 10.0 |
| 3.3 | 256.7 | 241.7 | 6.2 |
| 5.1 | 312.3 | 271.3 | 15.1 |
| 6.0 | 277.6 | 236.4 | 17.4 |
| -0.2 | 153.4 | 153.7 | -0.2 |
| 6.1 | 347.5 | 311.4 | 11.6 |
| -4.2 | 206.7 | 214.0 | -3.4 |
| -4.0 | 198.9 | 207.6 | -4.2 |
| -4.9 | 240.9 | 234.0 | 2.9 |
| 2.4 | 266.1 | 242.7 | 9.6 |
| 5.8 | 323.3 | 291.8 | 10.8 |
| 2.6 | 281.4 | 258.4 | 8.9 |
| 4.4 | 125.1 | 117.9 | 6.1 |
| 0.3 | 269.3 | 251.0 | 7.3 |
| 3.2 | 214.7 | 199.0 | 7.9 |
| 1.1 | 270.0 | 249.1 | 8.4 |
| 3.1 | 263.9 | 240.6 | 9.7 |
| 3.6 | 233.1 | 214.3 | 8.8 |
| 4.4 | 285.7 | 261.5 | 9.3 |
| 3.8 | 359.1 | 330.6 | 8.6 |
| 5.8 | 389.2 | 363.2 | 7.2 |
| 2.9 | 338.4 | 304.7 | 11.1 |
| 6.4 | 234.0 | 211.3 | 10.7 |
| 0.8 | 284.6 | 261.7 | 8.8 |
| 1.8 | 306.6 | 279.4 | 9.7 |
| 2.2 | 316.5 | 296.5 | 6.7 |
| 4.3 | 321.6 | 279.0 | 15.3 |
| -5.4 | 271.6 | 271.5 | 0.0 |
| 2.8 | 318.9 | 277.3 | 15.0 |
| 4.3 | 251.1 | 210.8 | 19.1 |
| 5.2 | 284.1 | 255.5 | 11.2 |
| -1.7 | 336.8 | 311.2 | 8.2 |
| 3.0 | 285.5 | 260.9 | 9.4 |
| 2.6 | 278.1 | 255.1 | 9.0 |

Copyright: Alan Silver & Associations

For the entire year of 1982, only three of the 32 lines in the *Silver/ID Index* went up by 6% or more against 27 for 1981; 23 lines rose by up to 6% and six lines actually went down for 1982, while in 1981, only five lines rose by less than 6%, or dropped. The results for the fourth quarter in 1982, which give us a better idea of what to expect for 1983, of course, show an even sharper drop in the inflation rate. Only 16 lines show any kind of rise, and just as many lines show no increase for the quarter or a drop.

Both the *Silver/ID* and *NIDA/SIDA* annual price index from 1967 averaged 100, to date. By December 1982 our index was 2.85 times its 1967 average. The NIDA/SIDA index was 2.94 times its 1967 average, a trivial difference. Note that even during 1975, the last severe recession, our index rose by 10.48%, even though it has risen by a sensational 22.80% in 1974 (the year price control ended). At the end of 1982 the *Consumer Price Index* stood at 292.4%, showing that in the long run consumer and industrial price changes paralleled one another.

Why is the industrial inflation rate so low in this recession but remained so high in the recession of 1974-75? In our opinion, the main difference lies in the fact that the present recession has had a far more severe impact on industrial distributors than that of 1974-1976. The NIDA/SIDA sales index at the end of December 1982 stood at 65.5, adjusted for inflation, against a base year average for 1977 (not the old base of 1967 on our price index) of 100, down almost 35%. Its high point was August 1979, when it was 115.57 adjusted for inflation. The 65.5 level at the end of December 1982 is a drop of 43% from this August 1979 level, after adjustment for inflation!

By comparison, the drop in sales during the 1974-1975 recession, as measured by the NIDA/SIDA sales index, was comparatively mild for industrial distributors. From the highest level in August 1974 to the lowest level in December 1975, the total drop (adjusted for inflation) was 21.7% - half the drop to date in the present recession. The NIDA/SIDA raw figures are from a sampling of members. The adjustment for inflation is done on the basis of the NIDA/SIDA inflation index.☐

By **Alan Silver.** For a more complete inflation index covering 150 distributor-sold commodities, write Alan Silver & Associates, Inc. 168 Woodbridge Ave., Highland Park, NJ 08904. NIDA/SIDA figures adjusted for inflation in this report courtesy of *Modern Distribution Management.*

## Comparing inflation indexes

| | *BLS inflation rates (%) | | | |
|---|---|---|---|---|
| | Current qtr 12/82vs9/82 annualized | Year-to-date 12/82vs12/81 annualized | 12/82 vs 12/81 | 12/81 vs 12/80 |
| Silver/*ID* index of 32 industrial product groups | 0.0% | 2.6% | 2.6% | 8.9% |
| NIDA/SIDA index of 10 industrial product groups | -0.8% | 3.0% | 3.0% | 9.4% |
| **PPI index of industrial commodities | 2.8% | 1.6% | 1.6% | 8.4% |
| Avg. of above indexes | 0.7% | 2.4% | 2.4% | 8.9% |
| PPI index of finished goods (indl/agric) | 5.2% | 3.6% | 3.6% | 7.0% |
| Silver/Wholesaler index of 19 lines (plmgb/htng) | 1.2% | 2.3% | 2.3% | 6.0% |
| Electrical Marketing index of 24 product groups | 6.0% | 2.9% | 2.9% | 6.7% |
| ***NAED inflation index: 16 product groups | 2.0% | 4.8% | 4.8% | 7.9% |
| Consumer Price Index | -1.2% | 3.9% | 3.9% | 8.9% |

*Bureau of Labor Statistics
**Producers Price Index (formerly Wholesale Price Index)
***National Assn. of Electrical Distributors (non-BLS)
NOTE: All figures are based on BLS unadjusted indexes unless otherwise noted. For the first quarter of each year, the first two columns of figures will be alike. For all other quarters, the first column will be the last quarter annualized, and the second column of figures will be current year-to-date annualized. Upcoming reports will follow the above format.

# Industrial Distribution

April 1983

Hotline:
Distributors reassess Reaganomics

4/28/83
C6185-2

## The art of winning

SPECIAL!
MATERIAL HANDLING SHOWCASE
(pull-out insert)

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CONGRESSIONAL INFORMATION SERV
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BETHESDA MD 20814

BEST AVAILABLE COPY

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VBPA
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A Morgan-Grampian publication

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## Indicators . . .

Confirmation of the upturn in statistics affecting the economy came from The Conference Board's *U.S. Consumer Confidence Index* which registered a substantial gain in February, up nearly seven points to 64.8 from January's 58 reading (1969-1970 = 100). The favorable statistics include the *National Wholesale Hardware Assn. Index* which gained 4.7% in dollar sales, January '83 over December '82; and the *Welding Supply Index* which jumped 6.1% in January over December's level, also reflecting monthly dollar sales figures. Additionally, the downward trend in purchases of MRO supplies from distributors reversed itself after nine months of dwindling demand, according to the latest NIDA/SIDA report, and edged up in January, 2.8% ahead of December. Copper and brass shipments, as reported by the Copper & Brass Servicenter Assn. "soared dramatically in January," with cutting brass rod shipments up better than 45% over December, and shipments of other coppermetal products up 19.1%.

Still caught in a declining market were orders for machine tools which dropped by 24% over the previous month, and were 55% below their January 1982 level, according to the latest report released by the National Machine Tool Builders' Assn. A slight increase in the inventory/sales (I/S) ratio in December, as reported by Evans Economics, indicates that inventories still remain high with respect to sales . . . The demand for labor has not yet caught fire, according to The Conference Board's *Help Wanted Advertising Index,* which remained unchanged in January.

## NIDA/SIDA alters 1983 awards program

ATLANTA — The National and Southern Industrial Distribution Assn's. Committee has totally revamped their advertising awards program to create a new program which has the goal of recognizing both distributor and manufacturer contributions to the production and marketing partnership the two represent. Both the manufacturer and distributor have joint responsibilities in this partnership for their mutual benefit. *The Partnership Awards Program* will recognize how well both fulfill their responsibilities. For each award there are subcategories based on sales volume, which is intended to assure fair competition. The entry process is also different as entry is either direct or through nomination by manufacturers. In like manner, distributors are encouraged to nominate their manufacturers for one of the awards, thus recognizing those manufacturers whose marketing programs helped in increasing market penetration for their products. The award itself will be a commissioned original piece of artwork which will be reproduced in limited edition. ☐

## Confidence up, but not buying plans, according to report

NEW YORK—Consumer confidence was up a bit in January but buying plans have not yet come to life, according to The Conference Board's latest survey. The board's *Consumer Confidence Index* (1969-1970 = 100) advanced to 57.6, a gain of about four points over December. However, the *Buying Plans Index* is down for the second consecutive month, closing at 66.3, compared to 75.2 in December. The survey covers 5,000 households throughout the country, and is conducted monthly for The Conference Board by National Family Opinion, Inc., of Toledo, OH.

Of special note in the report, was that buying plans were down in all sectors in January. Plans to buy new and used automobiles fell to 5.1%, down from 5.6% in December; home-buying plans edged down to 2%, compared with 2.3% in December; and plans to buy a wide range of major appliances fell to 20%, down from December's 23%. ☐

## Universal sets up new unit for diamond & CBN products

BRISTOL, PA—Universal has separated its super-abrasive operations from Universal Grinding Wheel, emphasizing the growing importance it places on diamond and CBN products. All super-abrasive activities have been concentrated in a new corporate unit, Universal Diamond Products Company, located here. The operations in eight European countries, are maintained. ☐

## Eaton restructures Yale to operate as an independent company

PHILADELPHIA—Eaton Corp.'s industrial truck operations, which manufactures and markets the Yale product line, is being restructured and will become an independent company during 1983. Yale will be established first as a wholly-owned subsidiary and then as an independent company, according to Eaton's board of directors. At that time, Yale's income and earnings will no longer be consolidated into Eaton's financial results. "Yale is not being discontinued or shut down," said Alfred M. Rankin, Jr., President of Eaton's Materials Handling Group. "This action is only the most recent event in a continuing program of investments, consolidations, rationalizations and product innovations that have brought Yale to a position as a truly global competitor . . . Eaton will be making a substantial financial commitment to Yale's future and will continue to have a significant financial interest in Yale." ☐

## M.J. Ellenbogen joins *ID* staff

NEW YORK—Milton J. Ellenbogen, former Chief Editor of EE-Electrical/Electronic Product News, a Sutton publication, has joined Industrial Distribution as Managing Editor. A 25-year veteran in industrial communications and trade publishing, Ellenbogen brings a broad and distinguished background to ***ID***. Listed in *Who's Who in America,* an Industry Trade Representative for the U.S. Dept. of Commerce at international trade shows, a communication specialist for IBM, Ellenbogen is a graduate of RCA Institute and holds both a Bachelor and a Masters Degree in English from Queens College, City University of New York. ☐

## Midwest Acorn Nut forms subsidiary

TROY, MI—Midwest Acorn Nut Co., manufacturer and distributor of specialized industrial fasteners, has announced the formation of a subsidiary company, Hexagon Enterprises, Inc., to market a line of high and low crown cap nuts in stainless steel. Formed to serve as a marketing arm for Midwest Acorn Nut, Hexagon also offers high and low crown nuts in steel, brass, metrics, in a variety of plated finishes. ☐

## Regional Report

# Sluggish sales in January

With the exception of some sun belt states, January figures indicate a sales picture, both overall and regional, that continues negative.

Nationally, an improvement in January '83 vs. January '82 to -11% from December's steep -24% (see graph), means only a return to the November '82 level. Somewhat disappointing are the figures from East North Central. With the auto and steel industries coming to life, it was hoped that this region would be one of the first to reflect an upturn in the economy. Although this months figures are better than last months, the gains appear relatively insignificant.

In the Mountain region of New Mexico, Arizona, etc., there are no indications of the steep declines registered in the past, and on month-to-month reporting, January '83 vs. December '82, shows a gain. However, more data are needed to substantiate any improvements in the sales picture here.

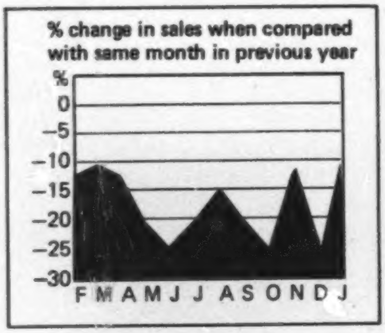
In the Pacific region, the Oregon-Washington area continues weak, while the LA-San Diego area is mixed. Not enough information has been obtained to accurately report West North Central, West South Central and Texas for this month.

The pluses recorded in some sun belt states are not strong enough to even hint of a business turnaround. More consistency is needed here as this region has oscillated into and out of the plus zone for the past several months. The Middle Atlantic remains the most negative in the country. □

**RECEIVABLES***

| | Jan. 1983 | | Jan. 1982 | |
|---|---|---|---|---|
| | Gen. | Spec. | Gen. | Spec. |
| **New England** | 40.5 | 47 | 41.4 | 41.1 |
| **Middle Atlantic** | 41.7 | 45 | 45.6 | 46.4 |
| **South Atlantic** | 37.8 | 34.2 | 37.6 | 35.9 |
| **East North Central** | 35.9 | 39.7 | 40.5 | 49.6 |
| **East South Central** | 37.5 | 28 | 44.4 | 35 |
| **West North Central** | 36.1 | 35 | 36.6 | 38 |
| **West South Central** | — | — | 43.1 | 43.8 |
| **Mountain** | 31.1 | 24.3 | 63 | 50 |
| **Pacific** | 38.8 | 43.4 | 37.1 | 44.2 |
| **National** | 37.9 | 41.8 | 39.9 | 44.5 |

*Average days outstanding


**% change in sales when compared with same month in previous year**

**Sales in January show some improvement**

| SALES BY REGIONS (% change) | Jan. '83 vs. Dec. '82 | | | Jan. '83 vs Jan. '82 | | | 1st mo. '83 vs. 1st. mo. '82 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gen. | Spec. | Both | Gen. | Spec. | Both | Gen. | Spec. | Both |
| **NEW ENGLAND:** CT, RI, MA, NH, VT, ME | −1 | −7 | −3 | −16 | −24 | −18 | −16 | −24 | −18 |
| Connecticut | +3 | −17 | −2 | −18 | −28 | −20 | −18 | −28 | −20 |
| Massachusetts | −12 | — | −12 | −6 | — | −6 | −6 | — | −6 |
| **MIDDLE ATLANTIC:** NY, NJ, PA | −5 | −37 | −25 | −23 | −29 | −26 | −23 | −29 | −26 |
| New York Metropolitan Area | +8 | −8 | −2 | +1 | −20 | −13 | +1 | −20 | −13 |
| Upstate New York | −15 | −11 | −13 | −14 | −16 | −15 | −14 | −16 | −15 |
| Pennsylvania | −3 | −34 | −22 | −31 | −7 | −20 | −31 | −7 | −20 |
| **SOUTH ATLANTIC:** DE, DC, MD, FL, [illegible] SC, VA, WV | −6 | +1 | −3 | +2 | +17 | +9 | +2 | +17 | +9 |
| Georgia-Florida | −3 | −5 | −5 | −3 | +16 | +13 | −3 | +16 | +13 |
| **EAST NORTH CENTRAL:** OH, IN, IL, MI, WI | +16 | +1 | +8 | −5 | −6 | −5 | −5 | −6 | −5 |
| Indiana | −21 | +1 | −2 | −15 | +9 | +6 | −15 | +9 | +6 |
| Wisconsin | −1 | −13 | −8 | +6 | −13 | −5 | +6 | −13 | −5 |
| Chicago | +38 | +33 | +34 | −38 | −5 | −15 | −38 | −5 | −15 |
| Michigan | +9 | −5 | +3 | +5 | −4 | +1 | +5 | −4 | +1 |
| Ohio | +31 | +25 | +31 | −5 | −16 | −6 | −5 | −16 | −6 |
| **EAST SOUTH CENTRAL:** AL, MS, KY, TN | +7 | −20 | −4 | −8 | −17 | −11 | −8 | −17 | −11 |
| **WEST NORTH CENTRAL:** MN, ND, SD, IA, NE, KS, MO | — | — | — | — | — | — | — | — | — |
| **WEST SOUTH CENTRAL:** AK, LA, OK, TX | — | — | — | — | — | — | — | — | — |
| Texas | — | — | — | — | — | — | — | — | — |
| **MOUNTAIN:** NM, AZ, CO, UT, NV, WY, MT, ID | +11 | +7 | +9 | −7 | +5 | 0 | −7 | +5 | 0 |
| **PACIFIC:** CA, OR, WA | −6 | +3 | −2 | −27 | −6 | −18 | −27 | −6 | −18 |
| L.A.-San Diego | +12 | +7 | +9 | −19 | −2 | −8 | −19 | −2 | −8 |
| Oregon-Washington | −11 | −1 | −8 | −34 | −8 | −25 | −34 | −8 | −25 |
| **U.S. TOTALS** | +1 | −7 | −3 | −13 | −9 | −11 | −13 | −9 | −11 |

# Industrial Distribution

May 1983

C6185-2A 5/26/83

Hotline: Suppliers split on second half turnaround

ert J. Olsen
NIDA
William J. Ferrick
ASMMA
Turner Warm
SIDA

Preview:
1983 Triple Industrial Supply Convention

# Industrial Distribution

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# Exceptional growth seen for adhesives and sealants

The adhesives and sealants industry is favorably positioned as a growth industry for the 1980s, according to Business Trend Analysts, Inc. The reason for this growth, as stated in their report, *The U.S. Adhesives and Sealants Industry,* lies in the expansion and diversification of end-use applications for adhesives and sealants. This growth goes beyond the traditional construction and transportation markets and, according to Ed Reid, Loctite's vice president of industrial distribution, affects just about every type of industrial distribution business. For example, sealing for pipes — pipe valve and fitting distributors; bonding — electronic distributors; locking threaded connections — fastener distributors; joining cylindrical parts — bearing and power transmission distributors; and the many applications for diverse adhesives and sealants sold by the typical general line distributors. Reid believes that a good part of the growth for adhesives and sealants can be attributed to industrial distributors who have helped to broaden the marketplace for these products. "All of our business now goes through distributors," he states.

### Recession cushioned by market growth

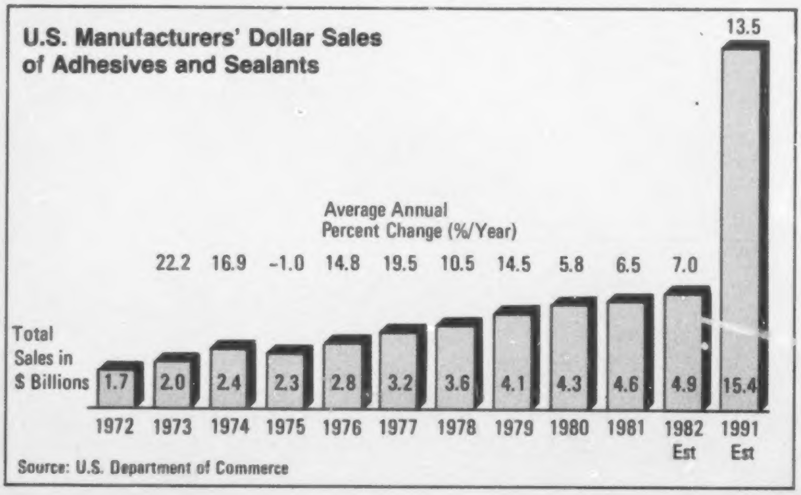
During 1981, the recession had an adverse effect on the growth for adhesives and sealants. This was reflected in a decline in the conventional end-use market such as construction, transportation and packaging. In new housing starts, industries such as furniture, floor and wall coverings, and appliances also slowed. As a result, manufacturers concentrated their marketing strategies on development of new applications in growth segments of the economy, including energy conservation products, plastic packaging, health care, and office computer and equipment markets. Expanded demand came from the consumer market for repair, renovation, and weatherproofing of existing dwellings — somewhat offsetting the decline.

### New markets to accelerate growth

The adhesives and sealants industry, including pressure sensitive tapes and labels, and gummed products, registered an estimated 6.5% growth in aggregate sales during 1981 to $4.6 billion (see graph). This exceeds overall industrial growth for the year. Total sales have tripled during the ten year period from 1972 to 1982, and are expected to approach $5 billion dollars for 1982. In terms of consumption, the average annual growth rate is almost identical to that of manufacturers' sales, which means that inflation had virtually no bearing overall on the dollar-volume statistics, leaving product-demand as the major factor.

The industry experienced strong growth in demand for synthetic resins and rubber adhesives for industrial bonding applications, and a slowed production rate for natural protein-based adhesives during the 1980s. Silicone sealants are emerging in the energy conservation market for use in thermal insulating windows and solar panels. Adhesives are continuing to replace mechanical fasteners in industrial product assembly applications, particularly for automotive, aerospace, and marine markets. Greater use of adhesives and sealants in these industries allows for production of lighter weight vehicles and craft that provide greater fuel efficiency and enables U.S. producers to compete with foreign imports. Pressure sensitive tapes and labels are replacing gummed paper products in areas of packaging and product identification as a result of cost effectiveness and ease of application for pressure sensitive products with less complicated automatic equipment. High strength fiber tapes are substituting for metal strapping bands in food packaging and bundling operations. According to the report by Business Trends Analysts, there are new developments for adhesives in the area of health care which include adhesive skin pads for transdermal medicine delivery, and a wide variety of microporous surgical tapes and bandages.

High growth areas for the adhesives and sealants industry in the coming years include high performance hot melt systems for industrial product assembly and laminations; urethanes for transportation systems; pressure sensitive tapes for packaging and disposable paper products, and for health care applications; epoxy compounds and thermosetting acrylics for electronics and aerospace industry products; and silicone sealants for insulated glass, solar panels and other energy conservation market applications. □



**U.S. Manufacturers' Dollar Sales of Adhesives and Sealants**

Source: U.S. Department of Commerce

# Cling-Surface and D. B. Powers merge; main site relocated to Angola, NY

ANGOLA, NY—In a merger that became effective March 15, Cling-Surface Co. and D.B. Powers Corp. joined forces. According to Henry C. Wilson, president of the surviving firm, Cling-Surface Co., the merger represents the ". . . joining of two companies that brings together specialization in the manufacturing and marketing of specialty chemicals sold through a worldwide network of industrial distributors."

**Henry C. Wilson**

**Donald B. Powers**

**Al Preyer**

D.B. Powers Corp., whose president was

[continued on pg. 13]

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Circle 35

## Indicators . . .

Recent statistics indicate that the nation is creeping towards economic recovery. According to the *NIDA/SIDA Industrial Distribution Index*, national monthly dollar sales figures increased .7% in February. Gains were seen in each of the four regions included in the survey except in the south which posted a decline of 4.7%. The strongest gains were reported in the midwest where sales were up 2.8%. In the east, monthly dollar sales figures climbed 1.4% in February and .6% in the midwest during the same period . . . According to the NIDA/SIDA Industrial Supply Inflation Index there was a 0.5% increase, in the rate of inflation in February—down 1.5% from the same period last year...These encouraging figures are reinforced by the statistics compiled in *SIDA's Monthly Sales Trend Report.* Those figures indicate a national increase of 5.79% in monthly sales when compared with the previous month. *SIDA's Monthly Sales Trend Report* showed a decline of 2.56% in the average number of collection days. Overall, the average number of collection days declined 19.40% when compared to last years figures . . . *ASMMA's new order index* rose 1.1 points (1.3%) in January from the previous month . . . *The National Hardware Assn.'s Sales Index* posted a gain of 13% to 104.8 in December, 1982—up 2.1% from last year . . . *The National Tool Builder's Assn.* reported a 7% increase in net new orders for U.S. machine Tools in February. The monthly order total of $98 million for U.S. metal-cutting and metal-forming machines was down 40% from a year ago. Machine tool shipments increased 4% but was off by 56% during the same month last year. According to the report, at the end of February total industry backlog declined to 1.076 billion or seven months production at February levels . . . *The American Machine Tool Distributors Association* reports that in January the 10.2% decline of sales of new machine tools in the U.S. was relatively small and represents a decline from the previous month.

*The Material Handling Institute* reports cumulative bookings for 1982 down 34.7% compared with 1981. Shipments declined 18% as companies reduced backlogs by over $600 million, according to the institute's report.

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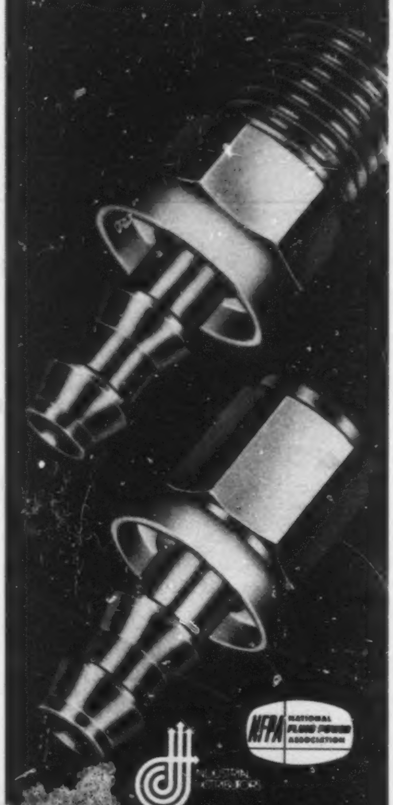

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# Sales sink in February

Nationwide figures show February as one of the worst months of the recession. Yet some regions are reporting surprising and significant gains on month-to-month reporting.

February '83 vs. '82 indicate a deeper plunge in sales than did the January yearly comparison. A fall of 22% is close to the lowest figures recorded last year. Not one region was in the plus column for February based on year-to-year figures.

The first two months of '83 vs. '82 didn't fare much better. Again there wasn't any pluses among regional reporting. The total for the country was a −12%.

On a month-to-month basis, February's figures were significantly better than January's. All regions were in the plus column with the exception of Mountain, indicating a perceptible improvement in sales. However, the country as a whole was still down 5%.

The best gain was 16% in the West South Central region, followed by 9% in the Middle Atlantic, 7% from West South Central and 5% from the New England and South Atlantic regions.

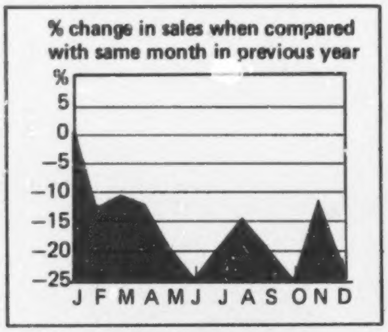
The biggest single gain among localities came from the New York Metropolitan area which increased its sales 20%. Michigan was up 13%, Pennsylvania 12%; Oregon-Washington 8%; Georgia-Florida 7%; and Connecticut 6%.

Not enough information has been obtained to accurately report Chicago's figures for this month.

The national total for receivables are little changed compared to last month; yearly comparisons show little difference with averages around the 40 day level. □

| RECEIVABLES* | Feb. 1983 Gen. | Feb. 1983 Spec. | Feb. 1982 Gen. | Feb. 1982 Spec. |
|---|---|---|---|---|
| **New England** | 41.2 | 51.4 | 40.4 | 50 |
| **Middle Atlantic** | 40.1 | 41.6 | 40.8 | 43.4 |
| **South Atlantic** | 35.8 | 35.9 | 34.6 | 37.6 |
| **East North Central** | 40.5 | 41.6 | 42.6 | 47.5 |
| **East South Central** | 42.3 | — | 49.2 | — |
| **West North Central** | 31.6 | 36 | 38.1 | 38 |
| **West South Central** | — | 44.1 | — | 40.4 |
| **Mountain** | 38.4 | — | 26.6 | — |
| **Pacific** | 36.3 | 40.5 | 34.9 | 44.6 |
| **National** | 38.7 | 40.8 | 31.2 | 43.6 |

*Average days outstanding



**Sales for February near 2-year lows**

| SALES BY REGIONS (% change) | Feb. '83 vs. Jan. '82 | | | Feb. '83 vs Feb. '82 | | | 1st 2 mt. '83 vs. 1st. 2 mt. '82 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gen. | Spec. | Both | Gen. | Spec. | Both | Gen. | Spec. | Both |
| **NEW ENGLAND:** CT, RI, MA, NH, VT, ME | +3 | +22 | +5 | −19 | −24 | −20 | −18 | −26 | −19 |
| Connecticut | +2 | +22 | +6 | −22 | −24 | −22 | −19 | −26 | −21 |
| Massachusetts | +2 | — | +2 | −16 | — | −16 | −13 | — | −13 |
| **MIDDLE ATLANTIC:** NY, NJ, PA | +5 | +11 | +9 | −24 | −18 | −21 | −23 | −19 | −21 |
| New York Metropolitan Area | −4 | +35 | +20 | −20 | −15 | −16 | −11 | −21 | −15 |
| Upstate New York | −3 | −13 | −8 | −22 | −26 | −24 | −19 | −19 | −19 |
| Pennsylvania | +12 | +12 | +12 | −26 | −16 | −21 | −28 | −12 | −20 |
| **SOUTH ATLANTIC:** DE, DC, MD, FL, GA, NC, SC, VA, WV | +2 | +7 | +5 | −12 | +2 | −6 | −7 | +9 | 0 |
| Georgia-Florida | +3 | +8 | +7 | −11 | +4 | +2 | −7 | +10 | +8 |
| **EAST NORTH CENTRAL:** OH, IN, IL, MI, WI | +5 | −4 | +2 | −10 | −21 | −14 | −10 | −17 | −12 |
| Indiana | 0 | −18 | −2 | +3 | −31 | −2 | +6 | −14 | +3 |
| Wisconsin | +1 | −3 | −1 | −16 | −35 | −23 | −16 | −21 | −19 |
| Chicago | — | — | — | — | — | — | — | — | — |
| Michigan | +13 | +13 | +13 | −13 | +13 | −9 | −7 | +4 | −4 |
| Ohio | +12 | −5 | −11 | −4 | −29 | −7 | −1 | −23 | −4 |
| **EAST SOUTH CENTRAL:** AL, MS, KY, TN | +1 | — | +1 | 0 | — | 0 | 0 | — | 0 |
| **WEST NORTH CENTRAL:** MN, ND, SD, IA, NE, KS, MO | +24 | +8 | +16 | −6 | −4 | −5 | −11 | −4 | −7 |
| **WEST SOUTH CENTRAL:** AK, LA, OK, TX | +42 | −4 | +7 | −24 | −35 | −32 | −35 | −34 | −34 |
| Texas | — | −4 | −4 | — | −35 | −35 | — | −34 | −34 |
| **MOUNTAIN:** NM, AZ, CO, UT, NV, WY, MT, ID | −5 | −16 | −11 | −24 | −7 | −17 | −16 | 0 | −9 |
| **PACIFIC:** CA, OR, WA | +2 | +6 | +3 | −21 | +2 | −14 | −23 | +4 | −16 |
| L.A.-San Diego | −2 | −3 | −3 | −20 | 0 | −9 | −19 | +3 | −8 |
| Oregon-Washington | +6 | +12 | +8 | −21 | +4 | −14 | −28 | −1 | −19 |
| **U.S. TOTALS** | −13 | +5 | −5 | −29 | −12 | −22 | −13 | −11 | −12 |

***ID is currently improving its system for obtaining accurate regional reports. These improvements will be reflected in the July issue.***

### NFDA Fall Meeting...

# 'THE TIME IS NOW!'

**The meeting was held while the turnaround was so much wishful thinking. But the program didn't allow members to wallow in self-pity, instead gave reasons for looking ahead.**

NEWPORT BEACH, CA—For four days, NFDAers were treated to a welcome barrage of information-packed sessions. Reports and discussions ranged from regional state-of-the-industry reviews to impact of the recession on manufacturing, distribution and importing, the three marketing segments that make up the 166-company member association.

Despite the problems facing the industry due to the general malaise of domestic fastener markets and continuing influx of foreign products, the program was designed and conducted on a lively note that managed to create if not euphoria, at least a mood of things bound to improve. The well-rounded agenda, a highlight of NFDA meetings, offered up a potpourri of timely topics ranging from the cosmic problems of Social Security to the specific problems of fastener distribution and supply. But of all of the reports, workshops and panels, it was the last day's presentation by indefatigable George C. Webster, consultant, famous in this industry for his penetrating insights and startling predictions, that put the state of fastener distribution and the domestic industry as a whole in perspective. Following are edited excerpts of Webster's incisive two-hour overview: "Time for New Strategies."

- There are troubles ahead for the industry so it's time for rethinking and developing new strategies. This industry has a distinct niche in the economy. Strategic planning will help strengthen that position and make it less vulnerable to the competitive forces that try to undo it.
- The most important function of the fastener distributor is simply making money. But it won't happen when you're so busy satisfying the customer that you forget your first responsibility: making money. Without money, you serve no one.
- The salesman's contribution to profits is changing. You can no longer put people in the field and automatically expect bottom-line results. The cost is often too prohibitive. Why not take another look at the telephone that, after all, is where you get most of your orders but which too many distributors take for granted? Consider telephone selling. It will help you survive in the '80s.
- We're becoming a service economy. Fewer than half of the workers before the decline were employed in manufacturing. This could affect the fastener market. If in the near future, manufacturing in the U.S. declines even more, fastener distributors dealing in OEM markets will suffer. They need to consider this trend a strong possibility.
- It's possible that much of our domestic industry will revert back to smaller manufacturing units and to more entrepreneurs producing smaller lines and focusing on specialties. This will affect their marketing plans and their relations with distributors who will have a harder job seeking out fastener suppliers. Competition among suppliers will be keener than ever.
- Other changes may occur in the '80s, in other areas of distribution as well as in fasteners. Imports will increase their market share and the importers will be more inclined to sell direct. Cost of a sales call will continue upward despite respite in gasoline prices and more fuel-efficient cars. Sales calls will be targeted more carefully. And this will change the definition of the salesman's job. You'll see more salesmen assume market planning and their sales managers become market strategists. Top management, in turn, will become professional profit strategists. Less than a fifth of the market information garnered by outside salesmen is relayed back to sales management. Even then, it is seldom sooner than two weeks.
- Sales management needs to live in the real world. Did an order come through based on price, delivery, availability? How well does he know competition? Is he selling too cheap? Can it be priced higher? Sales management needs to know the market thoroughly and to develop a strategy to generate most dollars, not necessarily

more unit volume. He must recognize you can make more and do less business.

- In the next five-to-10 years, top management must know that segment of the market that will prove most profitable and let the rest of the market go elsewhere. If you're very strong in your segment with service, inventory, etc., your segment cannot be easily violated by newcomers. Let them move into the other segments of the market. (Webster points to the continuing profitability of one member of the generally moribund steel industry: the specialty steel producer.)
- Expect more mergers and consolidations. One reason: some businesses will not automatically go the next generation. Distributors are very vulnerable. Traditionally, they are owner-managed. Many are vulnerable due to lack of successors, estate taxes, the local economy, etc. Entrepreneurs from outside the industry will jump in.
- There must be closer scrutiny of every facet of the operations in terms of contribution to profitability. You must have proper measures or you cannot manage. This includes productivity of every employee. Around 60% of the wholesale-distribution business is handled by fewer than 4% of the firms; almost 30% is handled by 92% of the firms.
- Webster: "In the $5 million to $10 million category, you're in the vulnerable middle. You've got to convert from hip-shooting decisions to more planning, more strategy. Your worst problems are the imponderables. Mid-sized firms are in trouble when they don't assume the trappings of a larger firm." Larger distributors will be pressured hard by the smaller, more flexible firms. Strategy and planning offer protection.
- Management development is a continuing problem in many small firms because the owner-manager runs the business his way. This has to change to a more scientific management mode. (Webster: "Families in some family-owned businesses see their companies as an endless money supply, their personal bank.")
- The mid-sized firm will be overtaxed. The small firm can survive by write-offs, while the middle-sized firm is faced with high taxes that can't be written off. The small firm can retain a greater proportion of its earnings.
- American manufacturing spends millions on inventory control. General Motors carries 30-40 day inventories. In Japan, suppliers are brought in for that day's work. They are assemblers, not manufacturers. They can make things cheaper. The Japanese system is systems selling at its best. This is a boon for the distributor properly integrated with the manufacturing process. You reduce inventories for the user and systemize your own inventory control.
- Why have a branch? It must be justified. There's a tendency to emulate the mother unit. The parent company should do everything it can, while the branch should do only what's absolutely necessary in its own marketplace.
- The 60-year record for gross margins shows an average of 23.5%, 40%-50% in other industries. Gross margins are not controllable. Ultimately, they rise or fall to the level most economical for the firm.
- Growth is essential to survival. Generally, distribution is not growth-oriented. There's a correlation between growth and return on investment (ROI). (Webster: "If you decide $5 million in sales is OK permanently, there's no stretching so your profits will stabilize, fall and disappear.") Growth should be 10% a year over and above inflation, but distribution's growth has been 10% with inflation. This equals no growth.
- Think market strategy. Each management and each company in distribution is unique. Each team has to consider what to offer the market, what and how much to stock, what services will be provided, collections in 30, not 60, days. Marketing strategy includes packaging who and what you are. Too many firms have too many approaches to the market. Keep competition away by doing what you do better.
- Doing more business with the same customers is the lowest-cost way to increase sales.
- Stock specialties in depth.
- Webster: "You're too complacent. You think the economy will turn around. You're not pushing what you should in a lousy economy."
- Gross margin dollars are split into payroll, non-payroll and profit. The more spent out of gross margin dollars for payroll, the less the profit.
- Two laws of productivity: (1) The least productive worker sets the pace for the rest of the organization; (2) the output of the work force is proportional to the output of the least productive worker. Focus on upping productivity at the least productive level. In some distributorships, 5%-10% of the workers are affecting overall productivity. It's up to management to keep score and if the productivity overall is not kept to a high standard, the entire organization wil disintegrate. ☐

## Profile: The fastener distributor (1982)

(20% of the membership responded)*

| | |
|---|---|
| *General* | |
| Family-owned | 60% |
| On LIFO | 38% |
| No. of branches | 50% |
| Avg. no. of branches | 3% |
| Use systems selling | 63% |
| Use cost-plus | 44% |
| *The median distributor* | |
| Year founded | 1955 |
| No. of employees | 50 |
| No. of outside salesmen | 5 |
| No. of customers | 2400 |
| No. of invoices annually | 20,597 |
| No. of lines per invoice | 5 |
| Imports (%) | 50% |
| Net sales | $5 million |
| Gross margin | 40% |
| No. of stockeeping units (SKUs) | 19,642 |
| No. of vendors | 250 |
| Annual sales growth (5 years) | 10% |
| Counter business | 7 % |
| Direct sales | 5% |
| Specials | 10% |
| Product modifications | 4% |
| Total field sales calls | 1900 |
| Phone orders | 75% |
| No. of branches | 3 |
| *Customer profile* | |
| Sales per customer (annually) | $2900 |
| Gross margin per customer | $1070 |
| Sales call/customer | 1 (some not called on) |
| Invoices per customer | 12 |
| *Salesman profile* | |
| Gross margin per salesman | $307,000 |
| Customers per salesman | 270 |
| Sales calls per week | 6 |
| *Vendor profile* | |
| Gross margin per vendor | $12,300 |
| SKUs (items) per vendor | 116 |
| *Productivity* | |
| Gross margin per employee | $47,500 |
| Gross margin per invoice | $76 |
| Gross margin per invoice line | $17 |
| Gross margin per branch | $218,300 |

*The findings may not be considered the last word by some, but the tallies are close enough to provide a clear view of the relative health of the "median" fastener distributor.

# Industrial Distribution

June 1983

**Hotline:**
**30-90 day inventories reflect growing optimism**

C 61 x 5-2 6/20/83

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SUSAN GA[illegible]
#
312
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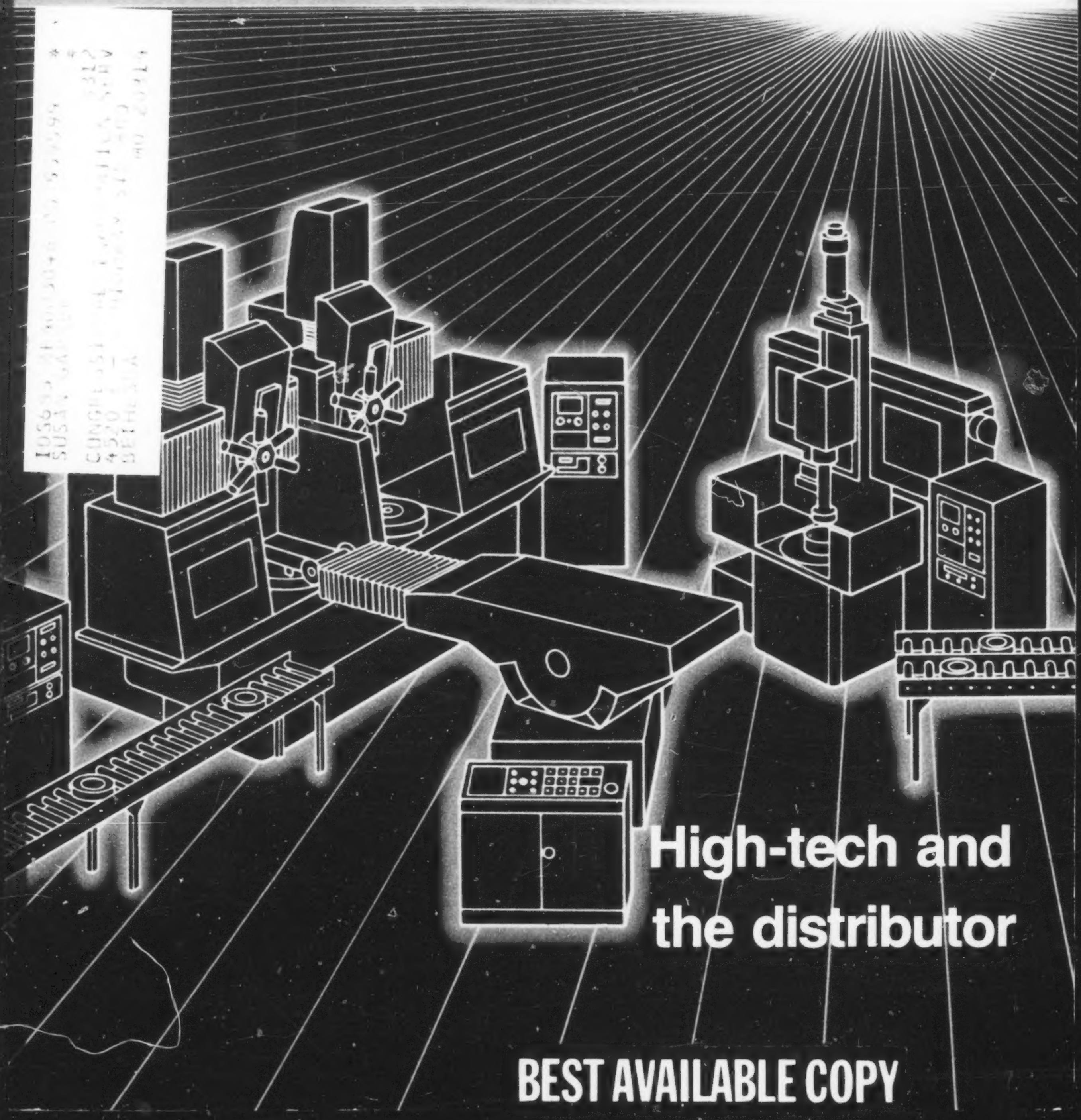

## High-tech and the distributor

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through its nationwide distributor network, will spend $50 million to reshape IPD.

Of the total expenditure, says Ong, $14 million will be allocated over the next two years to heighten the Akron plant's competitive position. This facility, largest in IPD, has lost nearly $50 million over the past three years.

Most of the Akron investment will go toward a reshaping of physical facilities to heighten productivity and make optimal use of available space. A number of factory buildings currently five and six stories in height will be reduced to one or two stories. The objective is to reduce operating costs in the 6-million-sq-ft complex, of which nearly 2 million sq ft are being under-utilized and creating an annual excess maintenance cost of $2.5 million for Goodrich.

The work on the Akron complex has already begun. Much of it is expected to be completed before the end of the current year. ☐

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*Circle* 14

## Indicators . . .

Any doubts about a recovery should now be put to rest upon examination of the March indicators which show advances across-the-board. The *Industrial Distribution Index*, prepared by the National and Southern Industrial Distributor Assns. (NIDA/SIDA), rose 3.3% in March, the biggest single gain in one month reporting since July 1981. The March figure of 107.6 compares with 104.2 in February. SIDA's *Monthly Sales Trend Report*, a separate study, shows double digit increases for March, on a month-to-month basis, for all regions of the country . . . The *New Order Index* for February, as reported by the American Supply & Machinery Manufacturers' Assn., was up 2.0 points or 2.4% from February to 85.9 (seasonally adjusted). A gain of 24.4% in March was reported by the American Machine Tool Distributors' Assn. over the previous month. This represents the highest monthly level since 1982 . . . The National Machine Tool Builders' Assn. reports orders and shipments of U.S.-made metal-cutting and metal-forming machine tools declined sharply in the first quarter of 1983 compared to the same period last year. However, for the month of March, orders increased 29% to $125,550,000 and shipments were up 11% to $176,450,000 compared to February's totals. This was the highest monthly total since June of 1982 . . . The *Welding Supply Index*, prepared by the National Welding Supply Assn., jumped 14% ahead of February's level to 150.2 in March. NWSA's first quarter figures represent a 6.9% rise over the fourth quarter of 1982. Contributing to the March increase were gains in equipment purchases and related supplies, followed by lesser increases in gases and expendables . . . Distributors' shipments of copper and brass mill products rose dramatically during the month of March, according to the Copper & Brass Servicenter Assn. The *CBSA Index* registered 114.2 or 26% higher than February's level. Shipments of all other coppermetal products, exclusive of brass rod and water tube, climbed 15.5% from February and registered 94.2 on the *CBSA Index*. Only once in the last two years was the figure higher.

*For more economic news, see Washington Report on pgs 25 and 26.*

# March sales improve across U.S.

Although sales in March '83 were still off 11% compared to '82, the direction from all quarters of the country is up.

On month-to-month reporting, March '83 vs. Feb. '83 reveals double digit growth for all the regions reporting. The country as a whole averages out to +24%, with the biggest gain, 27%, coming from the Mountain region. This is followed by 26% from both the Middle Atlantic and Pacific regions, 25% from East North Central, 16% from South Atlantic and East South Central regions, 15% from New England and West North Central, and 12% from West South Central.

Comparing March '83 with March '82, the regions, with few exceptions, show negative figures. But even here, the rate of increase over the same statistic last month is significant. New England, for example, went from −20 to −10, Atlantic from −21 to −15 and East North Central from −14 to −6, all improvements.

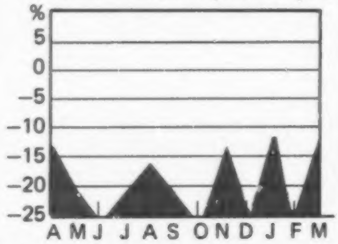
The first three months of '83 against the first three months of '82 are still negatives. However, here too, improvement from last months comparative figures is evident. It is expected that with a recovery underway, this column will show steady improvement with significant pluses finally emerging toward the last quarter of this year.

The weakest area reporting is West South Central, where some steep declines still persist. The strongest area reporting is East North Central where improved conditions are indicated across the board. ☐

| RECEIVABLES* | March '83 | | March '82 | |
|---|---|---|---|---|
| | Gen. | Spec. | Gen. | Spec. |
| New England | 38.9 | 43.5 | 38.4 | 41.5 |
| Middle Atlantic | 40.2 | 45.2 | 42.0 | 46.8 |
| South Atlantic | 31.6 | 35.3 | 34.4 | 34.3 |
| East North Central | 35.7 | 40.0 | 39.3 | 47.7 |
| East South Central | 40.9 | 32.0 | 43.1 | 30.0 |
| West North Central | 35.5 | 36.0 | 37.2 | 35.0 |
| West South Central | — | 38.2 | — | 39.9 |
| Mountain | — | 45.6 | — | 28.5 |
| Pacific | 36.1 | 38.9 | 35.4 | 41.4 |
| National | 36.5 | 40.8 | 38.3 | 42.6 |

*Average days outstanding

**% change in sales when compared with same month in previous year**



Sales heading up in March . . .

| SALES BY REGIONS (% change) | March '83 vs. Feb. '83 | | | March '83 vs March '82 | | | 1st 3 Mos. '83 vs. 1st 3 Mos. '82 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gen. | Spec. | Both | Gen. | Spec. | Both | Gen. | Spec. | Both |
| **NEW ENGLAND:** CT, RI, MA, NH, VT, ME | +26 | +4 | +15 | −12 | −8 | −10 | −14 | −8 | −11 |
| Connecticut | +32 | −2 | +20 | −20 | −19 | −20 | −20 | −24 | −21 |
| Massachusetts | +18 | +6 | +9 | −13 | −4 | −7 | −12 | −4 | −7 |
| **MIDDLE ATLANTIC:** NY, NJ, PA | +15 | +34 | +26 | −22 | −10 | −15 | −24 | −15 | −19 |
| New York Metropolitan Area | +16 | +14 | +15 | −17 | −21 | −20 | −23 | −19 | −20 |
| Upstate New York | +13 | +10 | +12 | −25 | −25 | −25 | −21 | −19 | −20 |
| Pennsylvania | +15 | +55 | +36 | −25 | +9 | −7 | −27 | −4 | −15 |
| **SOUTH ATLANTIC:** DE, DC, MD, FL, GA, NC, SC, VA, WV | +19 | +13 | +16 | −10 | +1 | −5 | −10 | +5 | −3 |
| Georgia-Florida | +33 | +11 | [illegible] | +1 | — | — | −9 | +6 | +2 |
| **EAST NORTH CENTRAL:** OH, IN, IL, MI, WI | +24 | [illegible] | [illegible] | — | −13 | −6 | −1 | −16 | −8 |
| Indiana | [illegible] | [illegible] | [illegible] | +4 | +30 | +6 | +5 | −4 | +4 |
| Wisconsin | [illegible] | [illegible] | [illegible] | −7 | −5 | −6 | −7 | −15 | −13 |
| Chicago | — | [illegible] | +45 | — | −12 | −12 | — | −14 | −14 |
| Michigan | +11 | −23 | +5 | +1 | −54 | −13 | +8 | −32 | −1 |
| Ohio | +27 | +12 | +22 | +4 | −19 | −5 | −4 | −17 | −9 |
| **EAST SOUTH CENTRAL:** AL, MS, KY, TN | +17 | +15 | +16 | −4 | −15 | −10 | −2 | −15 | −9 |
| **WEST NORTH CENTRAL:** MN, ND, SD, IA, NE, KS, MO | +33 | +13 | +15 | +3 | −30 | −27 | −13 | −23 | −22 |
| **WEST SOUTH CENTRAL:** AK, LA, OK, TX | +9 | +14 | +12 | −13 | −42 | −35 | −24 | −36 | −33 |
| Texas | — | +14 | +14 | — | −42 | −42 | — | −36 | −36 |
| **MOUNTAIN:** NM, AZ, CO, UT, NV, WY, MT, ID | — | +27 | +27 | — | −3 | −3 | — | −11 | −11 |
| **PACIFIC:** CA, OR, WA | +26 | +25 | +26 | −21 | −4 | −12 | −22 | −7 | −14 |
| L.A.-San Diego | +34 | +25 | +29 | −13 | +2 | −5 | −14 | +7 | −4 |
| Oregon-Washington | +23 | +26 | +25 | −24 | −6 | −14 | −25 | −11 | −17 |
| **U.S. TOTALS** | +22 | +26 | +24 | −11 | −12 | −11 | −12 | −12 | −12 |

# Inventories reflect growing optimism

**Reduced inventories, order backlogs, and pent-up demand, augur well for distributor business in the months ahead. Long term growth, however, depends on overcoming the prevailing caution of big business.**

NEW YORK—According to Charles T. Haffey, C.P.M., chairman of the National Assn. of Purchasing Management's business survey committee, buyers nationwide are showing more confidence in the economy. "At present," says Haffey, "production materials are being bought rather than MRO products. What this means," explains Haffey, "is that in anticipation, distributors can begin to build up inventory. I think they will do just that forseeing the increase in demand; however, if they don't believe the turnaround is real, and keep inventories thin, they may find themselves caught short as the recovery picks up steam."

### Hand-to-mouth orders decline

According to the latest figures released by NAPM, hand-to-mouth orders for three major categories, production materials, MRO supplies, and capital expenditures are all on the decline. Correspondingly, order increases are evident in the 30, 60 and 90 day categories indicating renewed confidence in the economy.

The *Purchasing Managers' Composite Index* registered 57.1% in April, up from 54.7% in March. Based on analysis from the U.S. Dept. of Commerce, the index adjusts five components of the survey: new orders, production, employment, vendor performance, and inventories. A reading below 50% indicates the economy is in a declining phase, above 50%, in an expanding phase.

Similar news of a growing order backlog was reported by other sources, among them, the 1000-member-company the American Metal Stamping Assn. Says Jon E. Jenson, association president, "March bookings were the highest in well over a year and the backlog has moved to its highest level in 14 months."

### Prices firm to higher

Capital equipment spending, according to the NAPM report, rose for the second month in a row. This is visible in the six months and longer category, and reflects the level of large-scale capital programs.

This increasing demand has helped firm up prices and, in some cases, prices have moved slightly higher. NAPM reports 25% of its members now indicate that prices have increased, up from 14% in March. This is the first time since January 1982 that more members reported higher prices than lower prices, according to the association.

### Inventory liquidation appears over

The latest report from APICS (American Production & Inventory Control Society) states that although the outlook for consumption and employment has not improved thus far in '83, "the orders/inventories/shipments sector is beginning to exhibit positive signs." Cited is a 3.5% increase in durable goods, new orders in March, as well as a 10.7% gain in orders for non-defense capital goods.

The most promising figure, however, was a $3.8 billion decline in manufacturers' inventories in March. With a strong 2.4% sales gain, the manufacturing inventory/sales (I/S) ratio for March is now down to 1.61. APICS believes that 1.60 is the equilibrium level for manufacturing, and based on that they now predict inventory liquidation at an end.

> **'If they [distributors] don't believe the turnaround is real, and keep their inventories thin, they may find themselves caught short as the recovery picks up steam.'**
>
> **—Haffey**

In other industrial areas, inventories have also shrunk to a point where supplies on hand are at or near pre-recession levels. In March, machinery had only a 2.42 months supply on hand; transportation 2.13; and primary metals 2.50.

### Caution prevails

Because real GNP is expected to increase only about 3½% during 1983, APICS remains cautious about the economy. Slight setbacks at this stage could mean little or no growth at all. Part of the reason for this is the inclination on the part of business to exercise caution, especially because of small or moderate profits. Optimism, it seems, is building, but very slowly.

As for the profits picture, APICS estimates an increase at about a 25% annual rate in the second quarter; still, it claims, the economy will not begin to move into high gear until near the end of the year.

**Milt Ellenbogen**

**% Reporting**

| | Hand to Mouth | 30 Days | 60 Days | 90 Days | 6 mos. and Longer |
|---|---|---|---|---|---|
| **Production materials** | | | | | |
| April | 13 | 42 | 31 | 9 | 5 |
| March | 16 | 37 | 32 | 8 | 7 |
| February | 18 | 39 | 29 | 10 | 4 |
| **MRO supplies** | | | | | |
| April | 4[illegible] | 41 | 11 | 4 | 1 |
| March | 48 | 37 | 10 | 3 | 2 |
| February | 52 | 36 | 9 | 2 | 1 |
| **Capital expenditures** | | | | | |
| April | 17 | 6 | 7 | 13 | 57 |
| March | 19 | 5 | 5 | 16 | 55 |
| February | 20 | 5 | 7 | 18 | 50 |

Courtesy of NAPM

# Industrial Distribution

July 1983

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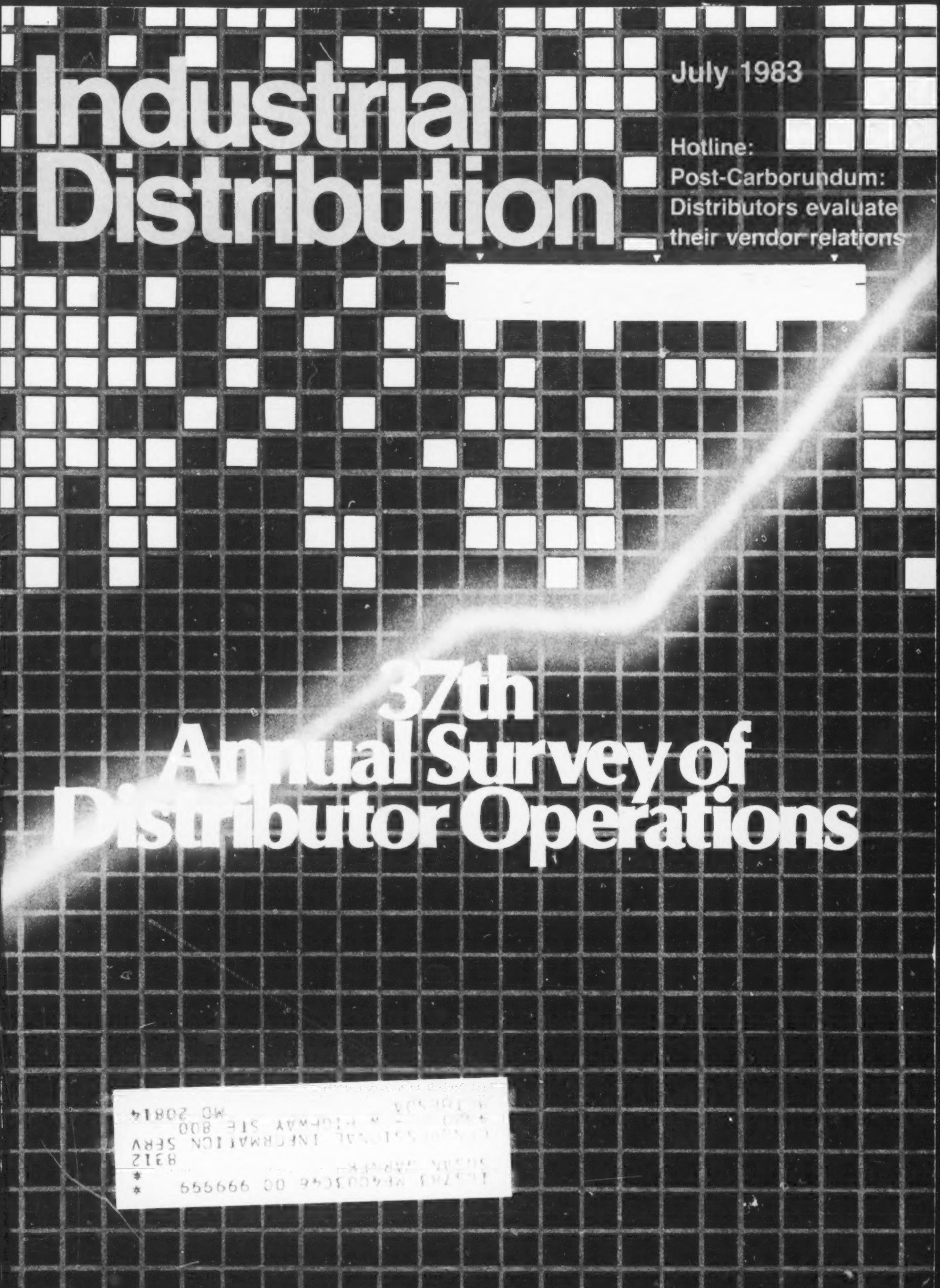
Post-Carborundum:
Distributors evaluate
their vendor relations



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Hitting hard at distributors, the extended recession drove down sales, played havoc with inventories, and challenged distributor ingenuity to maintain profit levels.

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# Industry News

## Machine tool industry is still expecting high growth

COMMACK, NY—Despite poor sales, an increase in imports, and elimination of some industrial tooling needs due to changing technology, Business Trend Analysts, a research firm, still concludes in a special report, *The U.S. Machine Tool Industry: An Analysis of Current Performance and Future Prospects,* that an average annual growth rate in the 25% or greater range can be expected for the machine tool industry in the coming decade.

However, the report states that expected future growth opportunities will be preceded by another year of poor results in 1983 with sales projected to drop 44% to $2.9 billion. The sharp decline is the result of a lack of order backlogs compared to 1982 when unusually large backlogs boosted year-end results. The severity of the recession has altered the financial health of many firms to the extent that average plant capacity utilization is now running at only 65%, and many will be forced to postpone purchases of new equipment. As a result, the economic rebound is not expected to reach the machine tool industry until mid-1984.

With sales of over $3 billion in 1982, the metal cutting machine tool market is the largest segment within the machine tool industry, accounting for almost 60% of total sales. The sales level of 1982 represented a 29% drop from the previous year, and sales are expected to fall an additional 55% in 1983. However, a strong recovery is forecast for this segment over the coming decade, as the continued application of NC technology should spur vigorous growth in the years ahead.

The report further breaks down 1982 results, forecasts 1983 in detail, and projects future areas of growth. Citing the current 33% market share held by imports, the report analyzes historical trends, structural factors, and technological developments which have led to this increase. Also included is an insight into the strategies currently being used by major U.S. manufacturers to combat imports, and some recent developments and future trends which may influence the final outcome.

Attention is also given to the following areas: pricing activity, industry economics and cost structure, new products and technologies, channels of distribution, end-use markets, financial trends, and company related developments.

The report is currently available at a price of $595. For further information contact Charles J. Ritchie, Reports and Publications Dept., Business Trend Analysts, Inc., 2171 Jericho Tpke., Commack, NY, 11725. ☐

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## STAFDA PAR report: 1982 sales fail to match inflation rate

ELM GROVE, WI—1982 marked the third consecutive year in which members' sales failed to keep pace with inflation, according to the Specialty Tools & Fasteners Distributors Assn. According to the organization's 1982 *Distributor Performance Analysis Report* (PAR), not only did sales lag, but unlike those of 1980 and 1981, 1982 profits took a pounding. While the slide in gross profit is partly accountable, according to reporting STAFDA members, operating expenses get a big share of the blame. In the 1980 reporting period, the average pre-tax profit was 4.7% on a gross of 33.9%. In '82, the figures were 2.1% on a higher gross of 35.3%.

The 1982 categories covered and the figures are as follows.

*Percent of sales increase.* Median, -0.9%. High, 50%. Low, -40%. Average of highest 10%, 30.2%. Average of lowest 10%, -19.1%. Overall average, -1.9%.

*1982 sales volumes.* Average for all reporting STAFDA members, $2,965,955. Median, $2,175,840. Highest reported, $12,851,882. Lowest reported, $407,326.

*Percent of gross profit on net sales.* Median, 34.6%. High, 47.3%. Low, 26.5%. Average of lowest 10%, 30.1%. Overall average, 35.3%.

*Dollar sales per employee.* Median, $126,360. High, $288,457. Low, $50,322. Average of highest 10%, $235,412. Average of lowest 10%, $66,459. Overall average, $134,435. (Average number of employees per company reporting was 24, down from the 26 of 1981.)

*Dollars gross profit per employee.* Median, $43,454. High, $77,443. Low, $24,090. Average of highest 10%, $74,323. Average of lowest 10%, $26,693. Overall average, $43,846.

*Percent net profit before taxes to net sales.* Median, 2.2%. High, 9.9%. Low, -9%. Average of highest 10%, 7.8%. Average of lowest 10%, -4.6%. Overall average, 2.1%.

*Percent net profit after taxes to net sales.* Median, 1.6%. High, 6%. Low, -9%. Average of highest 10%, 4.9%. Average of lowest 10%, -4.2%. Overall average 1.5%.

*Inventory turnover on net sales.* Median, 3.3. High, 7.2. Low, 1.6. Average of highest 10%, 5.6. Average of lowest 10%, 1.8. Overall average, 3.7.

*Rate of return on investment (after taxes).* Median, 10.9%. High, 52%. Low, -1.8%. Average of highest 10%, 31.3%. Average of lowest 10%, 0%. Overall average, 11%.

*Ratio of current assets to current liabilities.* Median, 2.42:1. High, 7.38:1. Low, 1.11:1. Average of highest 10%, 5.83:1. Average of lowest 10%, 1.2:1. Overall average, 2.93:1.

*Percent of bad debt writeoff.* Median, 0.7%. High, 3%. Low, 0%. Average of highest 10%, 1.8%. Average of lowest 10%, 0%. Overall average, 0.6%.

*Change in inventory level.* Median up 0.7%. High up 3%. Low down 22%. Average of highest 10%, up 42.8%. Average of lowest 10%, down 13.6%. Overall average up 1.1%.

*Accounts receivable—days outstanding.* Median, 40 days. High, 65 days. Low, 26 days. Average of highest 10%, 55 days. Average of lowest 10%, 28 days. Overall average, 40 days. ☐

---

## Capital spending plans dampen industrial recovery

WASHINGTON—Disappointing news on the amount businesses are planning to spend on modernization and expansion put a question mark on the industrial side of the economic recovery. The consumer side is already well taken care of with personal income up and retail sales showing a strong comeback.

According to the latest report of a survey conducted by the Commerce Dept., American businesses are planning to spend $305.5 billion on expansion and modernization projects this year, down 3.1% from last year. The Commerce Dept. report, adjusted for inflation, found that executives are planning to cut 1983 plant and equipment expenditures by double the 1.7% estimated at the beginning of the year. The survey found that businesses plan spending increases of 3.1% in the second quarter of the year, 1.5% in the third quarter and 4.3% in the final quarter.

[continued on page 7]

## Indicators . . .

In the largest monthly increase since July, 1981, the *NIDA-SIDA Industrial Distribution Index* climbed 5.5% in April, 1983. Although the figure was down 15.6% from last year, the fourth consecutive monthly increase was welcome news to all reporting NIDA-SIDA regions. The strongest gain from March to April was reported in the west where sales were up 29.9 points (30%)—from 113.1 to 143.0. In the east, figures climbed 5.6 points in April and 6.4 points in the midwest during the same period. The south, however, reported a rise of only 1.4 points in supply orders, down 32 points from April 1982 . . . A slight increase was evident in the *NIDA-SIDA Industrial Supply Inflation Index*, showing a 0.1% increase from March to April, up 1.4% from the same period last year . . . According to the *SIDA Monthly Sales Trend Report* for April, sales were down 8.9 points over the month before and 15.49 points behind those of April, 1982. Year-to-date figures plunged 18.30 points from last year . . . The *American Supply and Machinery Manufacturers'* Association's new order index rose 2.3 points (2.7%), to 88.2 points, from March to April . . . The *American Machine Tool Distributors' Association* registered an 11.3% decline in sales of new machine tools in April from the previous month. The decline was in new orders for metal cutting machine tools, which registered a 16.7% decline in April from the previous month. New orders of metal forming machine tools registered a substantial 29.7% increase in new orders in the same period . . . According to the *National Machine Tool Builders' Association*, net new orders fell by 5% in April, while shipments declined 14% . . . The *Purchasing Managers' Composite Index* registered 55.1% in May, down from 57.1% in April. The index adjusts five components of the National Association of Purchasing Managements's surveys—new orders, production, employment, vendor performance, and inventories—for normal seasonal variation, applies various weights to each, and melds them into a single monthly index number. A reading below 50% indicated that the economy is in a declining phase; above 50%, that the economy is expanding.

## Hiring teenagers can earn tax break

WASHINGTON—Businessmen employing financially disadvantaged teenagers during the summer months can earn tax credits under the *Targeted Jobs Tax Credit* (TJTC) program promoted by the U. S. Dept. of Labor.

New provisions, which recently became effective, stem from the *Tax Equity and Financial Responsibility Act of 1982*. The act added disadvantaged young people to TJTC's targeted categories.

The conditions apply to 16 and 17-year-olds who will receive at least the Federal minimum hourly wage of $3.35. However, the net cost to the distributor or other employer can be as little as 50-cents per hour. An employer can pay each teenager hired under the program the legal minimum wage for up to 90 days, and claim 85% of the amount as a credit deducted from the company's tax return.

[continued on page 12]

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Hitachi stocks all types of power transmission and conveyor chain in Hitachi warehouses throughout the United States.

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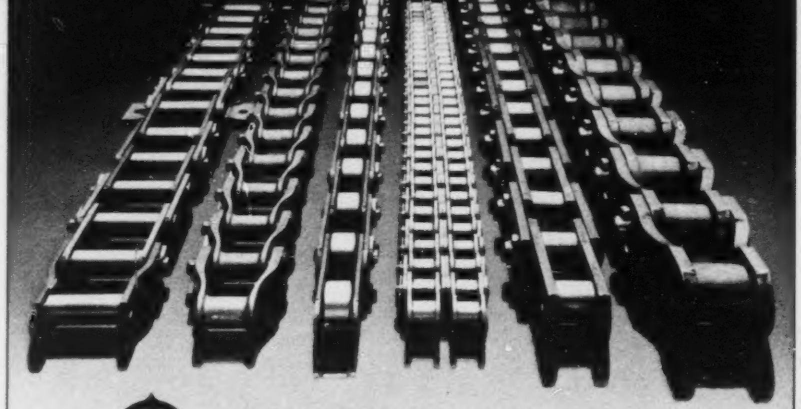

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## Regional Report

# Setback recorded in April sales

In what is turning out to be the most exasperating economic recovery on record, the month-to-month sales gains in March have vanished. Once again the trend is down.

Nationally, distributor sales have moved from −11% in March to −15% in April. General liners and specialists alike dropped from −11% and −12% respectively, to −16% and −14%. All of the regions show negatives for April '83 against April '82, and most of them are more negative than they were in the March report, where some plus signs were evident.

Most disappointing is April '83 vs. March '83. With the exception of Chicago (+9%), and the New York Metropolitan Area (0 or even), every region in the country has reverted to the minus column. This is a dramatic turnaround as March '83 vs. Feb. '83 showed every region in the country with positive figures, most in double digits.

The first four months of '83 vs. '82 reveal figures almost identical to those in March, with some slight improvements evident. However, these figures would normally show the least amount of progress, that is, until later in the year, when the cumulative totals become more significant.

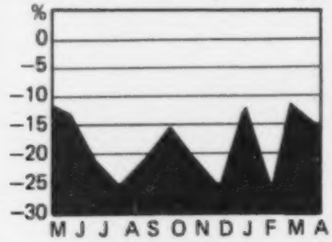
In receivables, the latest figures also show a retreat from those recorded in March. On a national basis, each of the categories indicate increases over last month, although about equal to last year.

On monthly reporting, general liners moved from 36.5 to 38.5 days, specialists from 40.8 to 43.1 days. □

| **RECEIVABLES*** | April '83 Gen. | April '83 Spec. | April '82 Gen. | April '82 Spec. |
|---|---|---|---|---|
| **New England** | 39.6 | 42.6 | 41.7 | 42.6 |
| **Middle Atlantic** | 43.6 | 45.5 | 41.9 | 45.7 |
| **South Atlantic** | 34.2 | 33 | 34.2 | 33.9 |
| **East North Central** | 38 | 47.4 | 40.1 | 49.6 |
| **East South Central** | 36 | — | 29 | — |
| **West North Central** | 42.8 | 36.1 | 38.8 | 36.6 |
| **West South Central** | — | 44.6 | — | 50.1 |
| **Mountain** | 49.2 | — | 24.5 | — |
| **Pacific** | 36 | 40.3 | 38 | 42.5 |
| **National** | 38.5 | 43.1 | 38.5 | 44.3 |

*Average days outstanding

**% change in sales when compared with same month in previous year**



**April sales in retreat . . .**

| **SALES BY REGIONS (% change)** | April '83 vs. March '83 Gen. | Spec. | Both | April '83 vs April '82 Gen. | Spec. | Both | 1st 4 Mos. '83 vs. 1st 4 Mos. '82 Gen. | Spec. | Both |
|---|---|---|---|---|---|---|---|---|---|
| **NEW ENGLAND:** CT, RI, MA, NH, VT, ME | −11 | −5 | −8 | −14 | −4 | −10 | −11 | −10 | −11 |
| Connecticut | −11 | +27 | −5 | −7 | +4 | −5 | −17 | −19 | −17 |
| Massachusetts | −12 | −9 | −10 | −23 | −5 | −13 | −9 | −8 | −9 |
| **MIDDLE ATLANTIC:** NY, NJ, PA | −8 | −20 | −17 | −26 | −23 | −24 | −24 | −15 | −18 |
| New York Metropolitan Area | +2 | 0 | 0 | −10 | −26 | −23 | −21 | −20 | −20 |
| Upstate New York | −11 | −12 | −12 | −23 | −36 | −29 | −21 | −24 | −22 |
| Pennsylvania | −9 | −28 | −21 | −31 | −20 | −25 | −25 | −5 | −15 |
| **SOUTH ATLANTIC:** DE, DC, MD, FL, GA, NC, SC, VA, WV | −16 | −30 | −23 | −15 | −5 | −11 | −8 | +6 | −2 |
| Georgia-Florida | −4 | −9 | −8 | −16 | −9 | −10 | −15 | +5 | +2 |
| **EAST NORTH CENTRAL:** OH, IN, IL, MI, WI | −13 | −4 | −8 | −11 | −5 | −7 | −13 | −8 | −10 |
| Indiana | — | −12 | −12 | — | −6 | −6 | — | +1 | +1 |
| Wisconsin | −9 | −2 | −4 | −6 | −1 | −3 | −6 | −12 | −10 |
| Chicago | — | +9 | +9 | — | −4 | −4 | — | 0 | 0 |
| Michigan | −12 | +27 | −7 | −18 | +9 | −14 | −14 | −24 | −16 |
| Ohio | −17 | −14 | −15 | −2 | −11 | −6 | −3 | −16 | −8 |
| **EAST SOUTH CENTRAL:** AL, MS, KY, TN | −10 | −19 | −14 | −32 | −9 | −24 | −15 | 0 | −10 |
| **WEST NORTH CENTRAL:** MN, ND, SD, IA, NE, KS, MO | −51 | −2 | −7 | −50 | −31 | −32 | −20 | −21 | −21 |
| **WEST SOUTH CENTRAL:** AK, LA, OK, TX | −13 | −8 | −10 | −23 | −46 | −41 | −24 | −34 | −31 |
| Texas | — | −8 | −8 | — | −46 | −46 | — | −34 | −34 |
| **MOUNTAIN:** NM, AZ, CO, UT, NV, WY, MT, ID | −9 | +3 | −8 | −13 | −2 | −12 | −12 | +5 | −11 |
| **PACIFIC:** CA, OR, WA | −4 | −9 | −7 | −14 | −10 | −13 | −17 | −2 | −11 |
| L.A.-San Diego | +1 | −10 | −5 | −11 | −8 | −9 | −19 | +2 | −8 |
| Oregon-Washington | −3 | −9 | −6 | −12 | −11 | −11 | −17 | −3 | −12 |
| **U.S. TOTALS** | −11 | −13 | −12 | −16 | −14 | −15 | −4 | −2 | −3 |

# '82 sales down sharply, profits flat

**Hitting hard at distributors, the extended recession drove down sales, played havoc with inventories, and challenged distributor ingenuity to maintain profit levels.**

Unlike the last recession (1980), when sales managed an increase while profits slipped, sales registered clear and unmistakable drops in 1982, 8.9% for general liners and 12.6% for specialists, while the profit picture, although not as bad, was nevertheless flat. It was in return on investment, however, where distributors really got clobbered. (See graph under "Profit and Loss.")

Corresponding to the falling sales, the Federal Reserve Board's *Index of Industrial Production* recorded a sharp drop of 8.2% while the *Industrial Distribution Index* dropped 9.4%, or 1.2% more than the FRB figure. The last time the FRB index showed a sharp decline was 1974, dropping 13.7%, while the distribution index remained fairly stable.

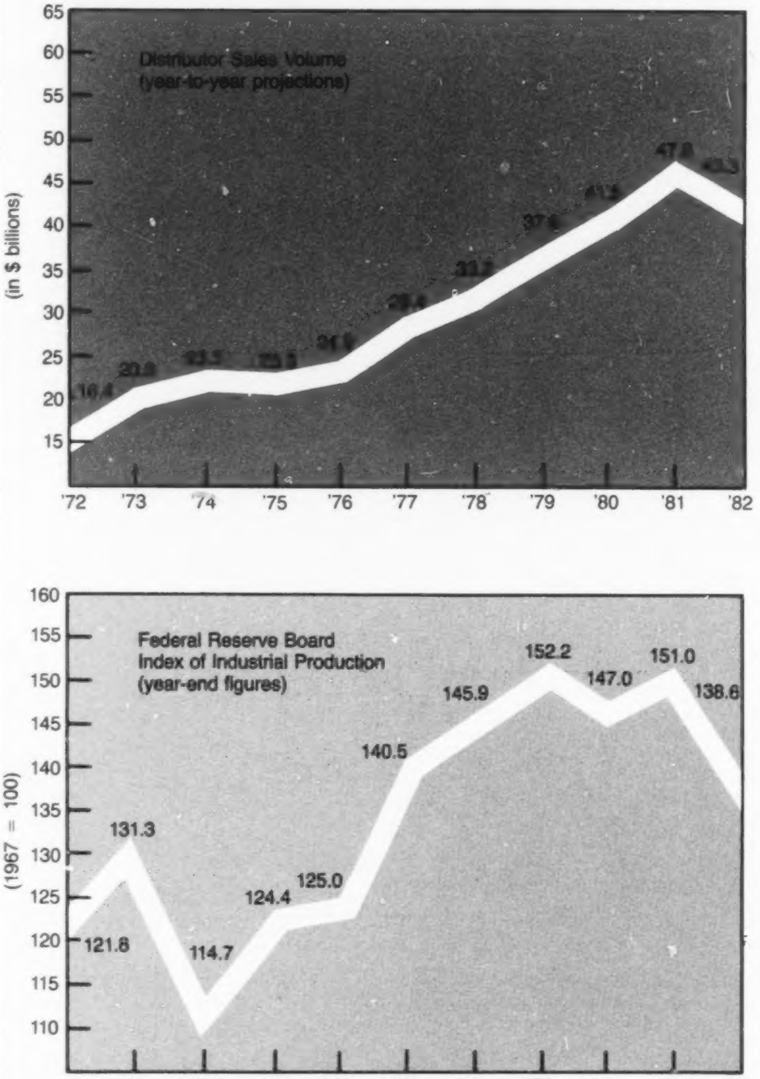
At least for the first half of 1982, high interest rates were a factor in the sales picture as manufacturers curtailed their borrowing plans in favor of concentrating on internal growth through savings—in other words, trimming their fat through layoffs, consolidation of divisions, closing of unprofitable plants, etc., while allocating or borrowing funds only for the proven profit-making areas of their operation. The second half of 1982, when interest rates began to decline, the chain of layoffs, reduced personal income, and housing and auto slumps, had all caught hold and spelled a sour year for business throughout the economy.

**Few areas untouched**

There are few areas that were included in this survey where the statistics do not bear out a dismal business year. From total sales to return on investment to the number of invoices billed, from stock turns to sales per employee to collections, the year proved a struggle for distributors to keep sales from plunging to intolerable levels while somehow managing in many cases to hold onto profits.

It must be regarded as a tribute to the skill and planning of industrial distributors that the industry held up as well as it did. Of particular interest is the area of electronic data processing, where the trend toward automating continued, although at a reduced clip. At least some of the credit here must go to the distributor associations that continued

## Industrial Distributor Sales Trends



### The year at a glance

**Gross profit: general line up, specialists even**
**Operating costs: general line up, specialists up**
**Before-tax net: general line down, specialists down**
**Collections: general line up, specialists up**
**Return on investment: general line down, specialists down**

throughout the year to transmit and simplify the myriad of systems being introduced. More companies are keeping data in memory banks and on tapes/discs than ever before, and distributors' future plans indicate that this trend will continue. It's conjecture how many more new systems may have been in place, and how much more sophisticated the distributor operation would have been if not for the recession.

Product liability suits, after having diminished in percentages and cost figures the past few years, appear to be on the rise again. Approximately 10% of the distributors responding to our survey indicated they were involved in such suits in 1982, with the average penalty cost being $15,000.

**Forecasts swing upward**

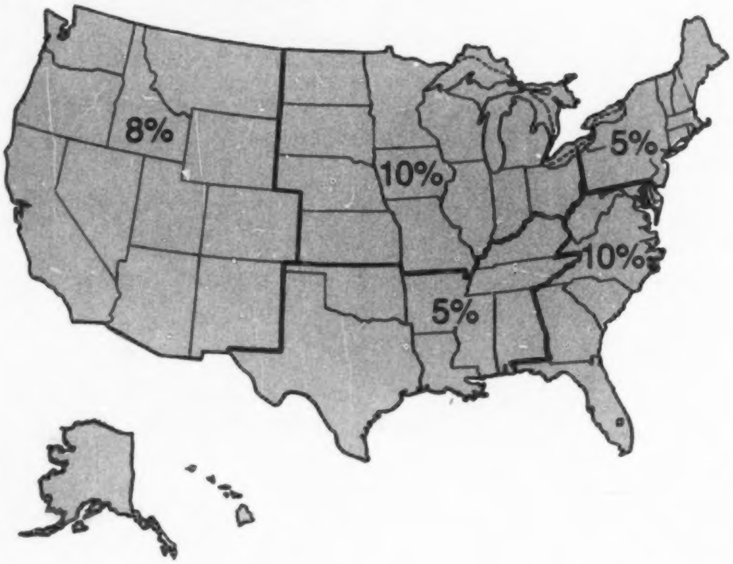
Without exception, all regions in our survey predicted sales increases, as well as price increases, for 1983. The tendency was toward a conservative 5% figure for sales, although as the economy gains steam at this time, these same forecasters might now be more bullish. As for price increases, the predominant figure of 5% might prove more on the mark, as inflation continues to stay under control.

In such areas as warehouse space and stocking locations, only slight increases, varying from region to region, are expected. Nationally, the statistics reveal that both general liners and specialists are waiting to see what the economy does before planning spending increases to branch out or expand stock space and product lines.

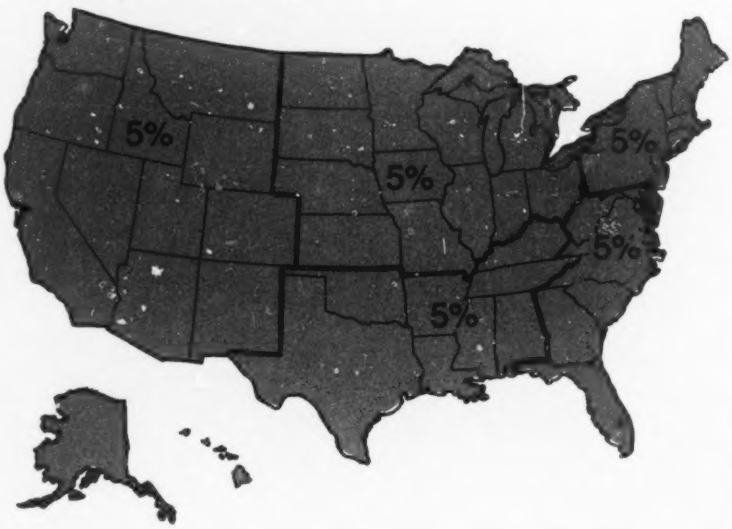
In terms of employment, the figure for full-time employees dropped on average from 17 in '81 to 16 in '82 for general liners, and from 15 in '81 to 14 in '82 for specialists. The forecast for 1983 employees is identical to that of 1982.

## '83 Forecasts

### Sales Forecast for '83



### Price Forecast for '83



**Medians and averages**

*All percentages used in this survey are medians.*

*The* ***median*** *number is the number which is larger than or equal to half of the other numbers, and equal to or smaller than the other half. For example: in series 4,4,5,7,10, the median is 5. The* ***average*** *of this series is 6, computed by totalling the five numbers (30) and dividing the number of numbers (30÷5).*

*The median number, then, is more representative of a group being surveyed because it will not be distorted by either extreme: very large or very small numbers.*

# Profit and Loss

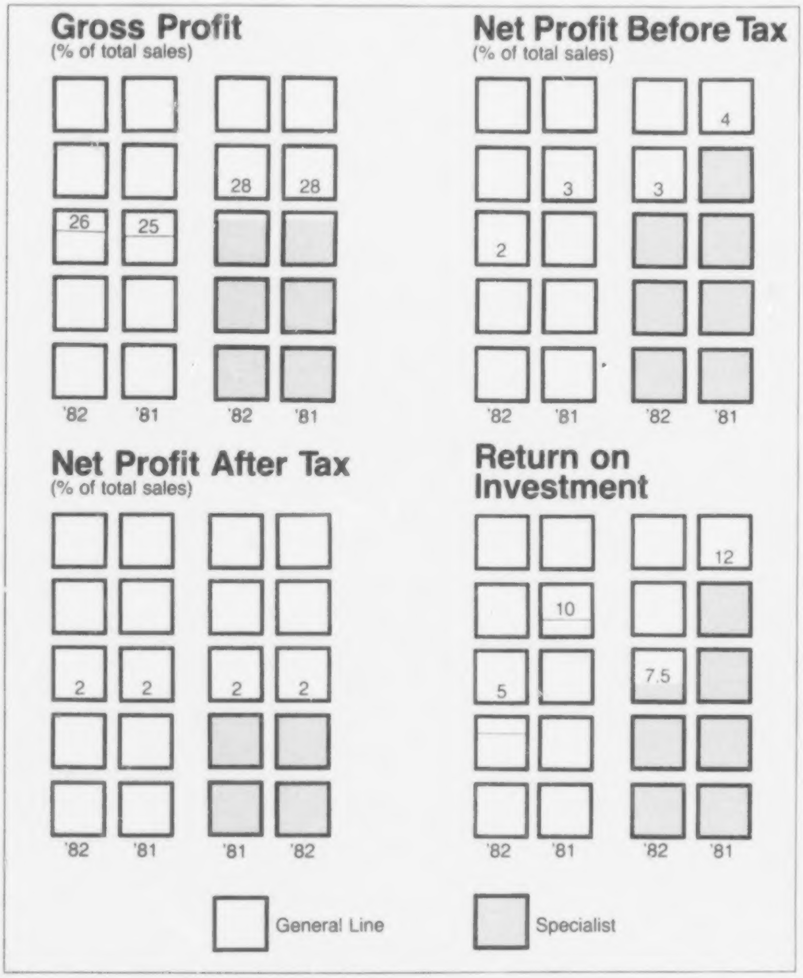
Sales figures tell only part of 1982's story in which "price-cutting" and "inventory management" were buzz words in the industry. It's hard to tell from the numbers how much of a role each played, but it seems certain they were important factors in maintaining profits while sales fell dramatically.

Gross profits actually increased 1% for general liners in 1982, going from 25% to 26%, while staying even at 28% for specialists. The cost of goods sold as a percent of total sales, the reciprocal of gross profits, remained constant in '82 at 74% for general liners and 70% for specialists, giving distributors an even chance at maintaining profits. Many of them were able to do just that. Net profit after tax remained steady at 2% for both general liners and specialists.

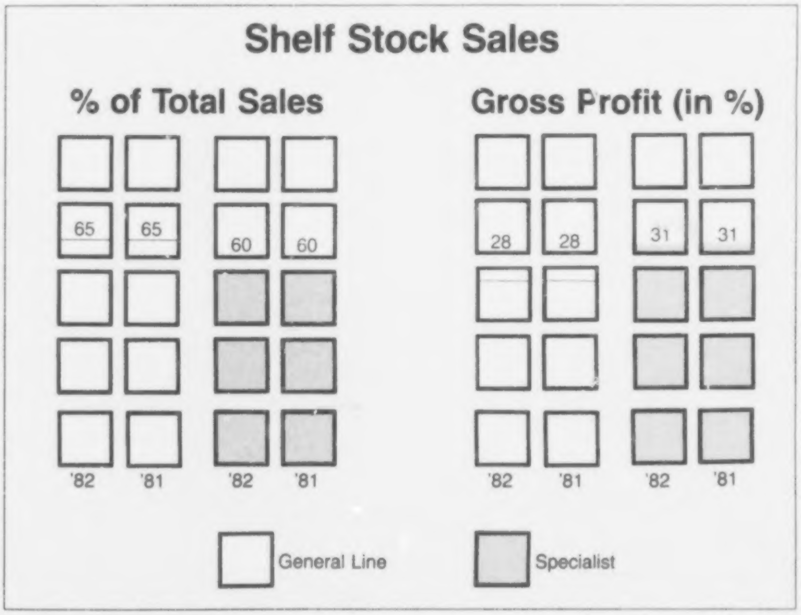
In the daily operation of their businesses, distributors were apparently unable to cut their own costs as much as they would have liked, as operating expenses increased 2% for general liners and 1% for specialists. Total insurance costs increased slightly over 1% for both general liners and specialists. (See graphs on p. 40 for "Total Operating Expenses" and "Total Insurance Costs.") This hurt the figures for return on investment. ROI dropped from 10% to 5% for general liners (50%), and from 12% to 7.5% (37.5%) for specialists.

Shelf stock sales, as a percentage of total sales, and in percent of gross profit, stayed in direct proportion to 1981's figures.

What doesn't show up as important in 1982 is the portion of total sales through systems contracts. This figure proved so small that it didn't seem meaningful enough to plot. Undoubtedly, systems contracts are a major factor in sales for some distributors, but sampling a great many reduces the median significantly.



## Shelf Stock Sales



# Operating Costs

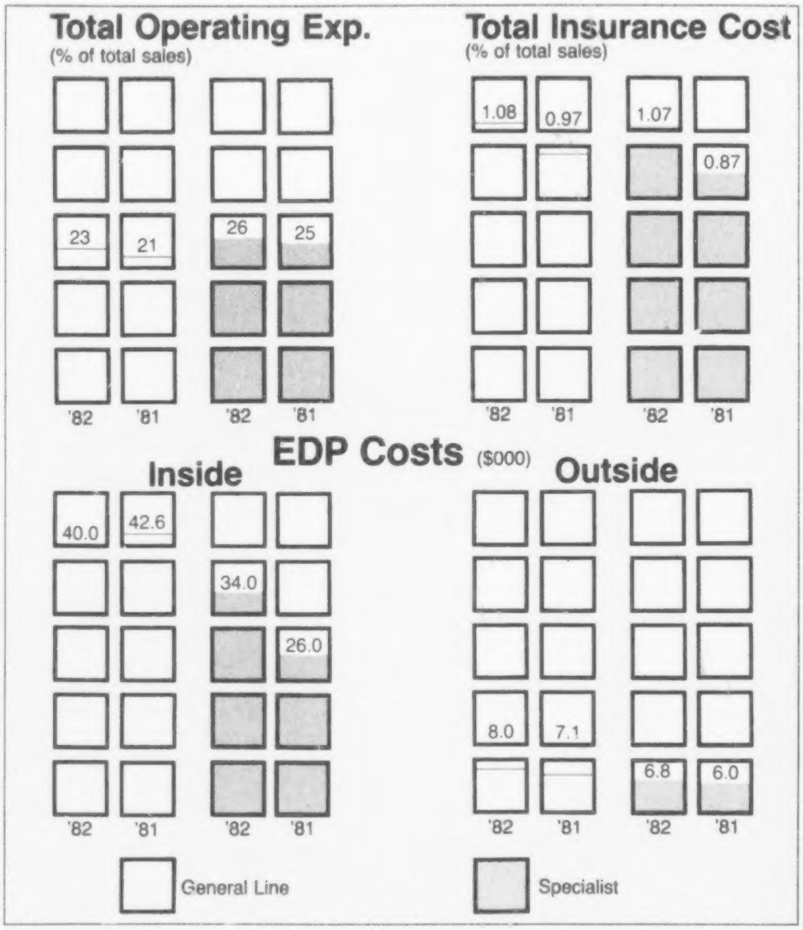
**Most operating costs, especially in the area of insurance, are business essentials; however, new investments in or expansions of electronic data processing equipment are non-essentials, particularly in a recession year. Yet, taking all of the statistics into consideration, it is clear that distributors opted to expand this area of their operations. The reason? Perhaps fear of the consequences of being left behind competitively if they didn't.**

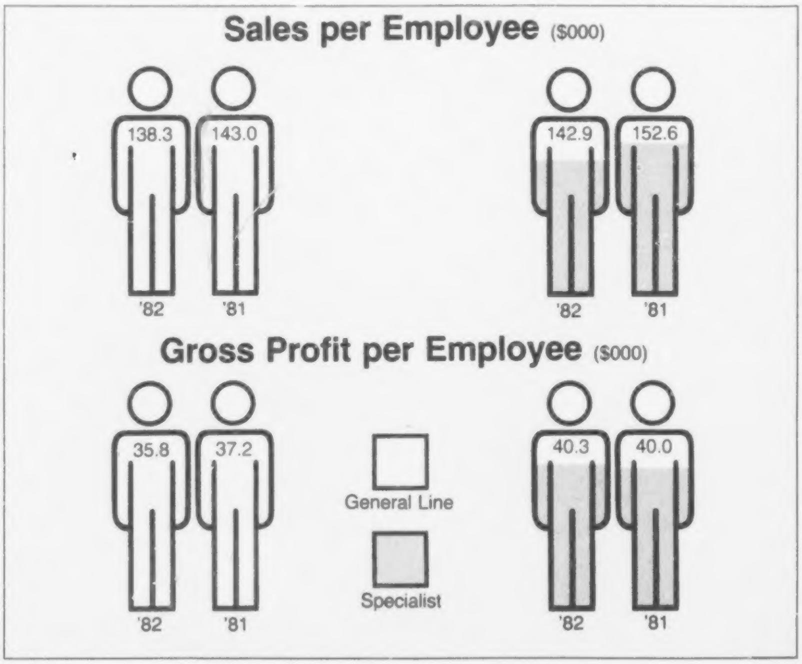
General liners did not increase their costs for EDP operations inside (or in-house) in 1982, reducing the amount spent by 6%; however, they increased their outside usage, and correspondingly their costs, by 14%. Specialists, on the other hand, raised their inside costs by 30%, and outside costs by 13%.

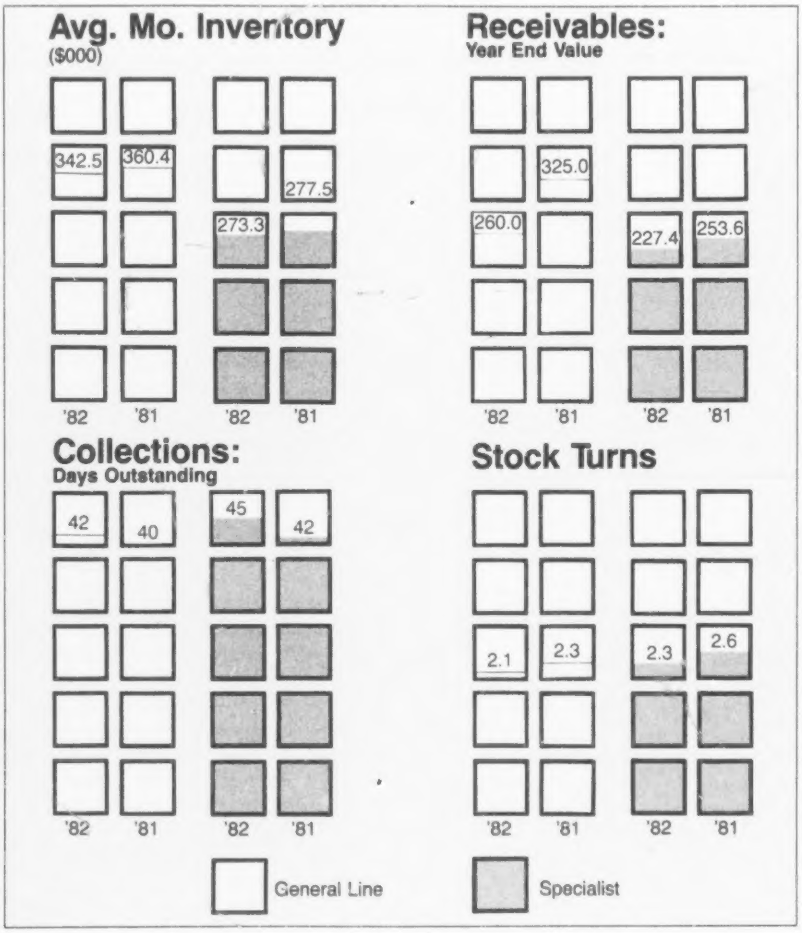
Of the general liners who are not yet computerized, 8.5% stated they plan to do so in '83, 13.1% in '84. Of specialists in the same category, 16.7% said they will do so in '83, 8.4% in '84. Approximately 85% of this amount, both general liners and specialists, plan on acquiring inside systems in either '83 or '84. At present, 20% of general liners, and 18% of specialists, say they either lease or rent their data processing equipment.

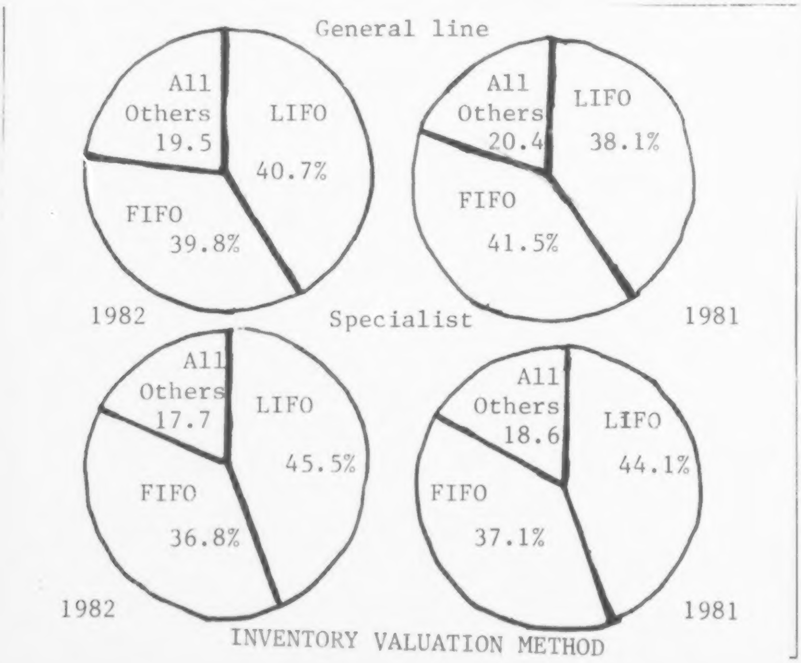
As may be expected with reduced sales, the figures for sales per employee were down: general line 3.5%, specialists 6.5%.

Gross profit per employee also dropped: 3.9% for general liners and 1% for specialists.









# Inventory Data

**Appraising inventory figures reveals few surprises. Monthly inventory figures were down, stock turns down, receivables down and collections up. In 1982, more distributors went from FIFO to LIFO, using LIFO reserve, the inflation of inventory, as a separate meaningful figure because it is not subject to tax.**

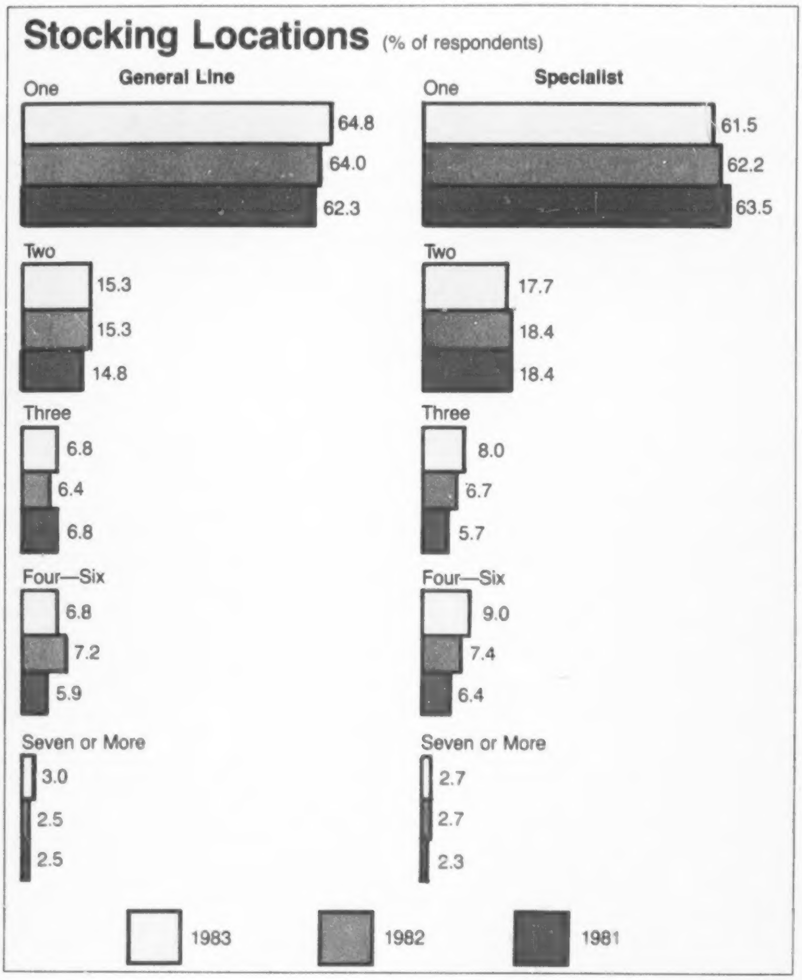
The median percentages show an increase of 2.6% for general liners using LIFO, while 1.1% more specialists used LIFO in 1982. The other category in the inventory valuation method probably reflects the lower of cost or market method.

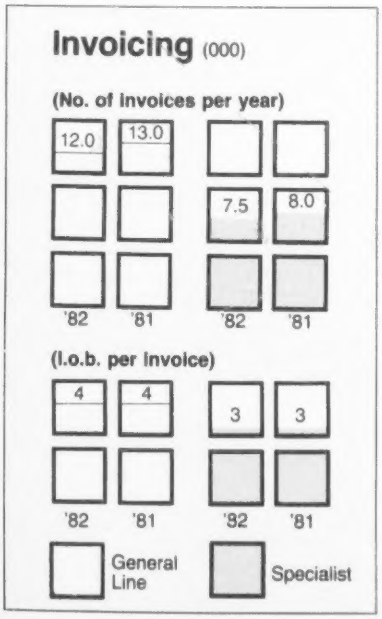
Dollar figures for average monthly inventory show a drop of 5% for general liners, 1.4% for specialists. Slower movement of inventory is also reflected in the stock turns figures: general line down 8.7%, specialists down 11.5%.

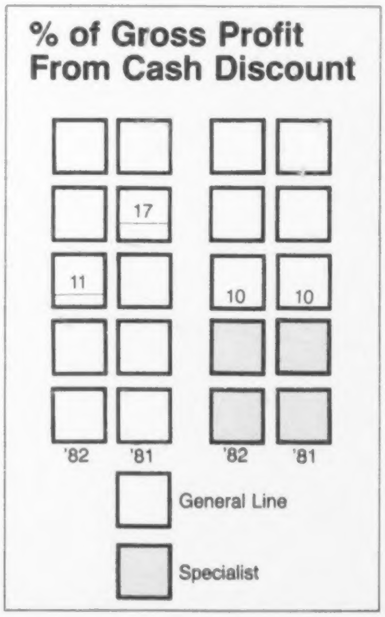
Stock turns are calculated by multiplying the percent of shelf stock sales by total sales, and dividing the result by the average monthly inventory value.

Receivables also took it on the chin with sharp drops of 20% and 10.3% for general liners and specialists respectively. This not only reflects a weak 1982; it also reflects a weak quarter for the beginning of 1983.

Examining the days outstanding for collections, an increase of 2 days for general liners and 3 days for specialists does not seem as bad an increase over 1981 compared to the credit crunch figures of 1980; although once the figure goes over 40 days, it does represent a serious credit problem.







# Business Trends

**Stocking locations for 1982 proved insignificant compared to 1981. The trend for 1983 reveals only slight decreases are planned. As for cash discounts from suppliers contributing to distributors' gross profits, 1982 did not seem to fare any better than 1981, although general liners indicate 1983 might prove better.**

**Stocking location figures, which include a firm's corporate headquarters, showed no major decrease or increase in '82 compared to '81. If distributors were planning to consolidate in 1982, 1983 figures might better indicate their intentions. But here, too, no appreciable differences were recorded.**

**The figures for the amount of sales attributable from cash discounts earned from suppliers show a numbers decrease of 6%, or from 17% in '81 to 11% in '82 for general liners, while specialists recorded a 10% figure for both years; however, almost twice as many general liners, 15.7% to 8.9%, indicated 1983 would see an increase in discounting, whereas 11.7% of specialists thought discounting would increase, and 11.4% decrease. This statistic is not plotted graphically.**

**The figures for cash discounts as a percentage of gross profit may not tell the whole story, as it is difficult for distributors to accurately know at the end of the year how much of their sales came from this benefit. The trend of the industry toward computerization will most probably make these figures more accurate in the future.**

**The number of invoices billed dropped 7.7% for general liners, and 6.1% for specialists. Average number of items per invoice was unchanged for both types of distributors.**

# Personnel Statistics

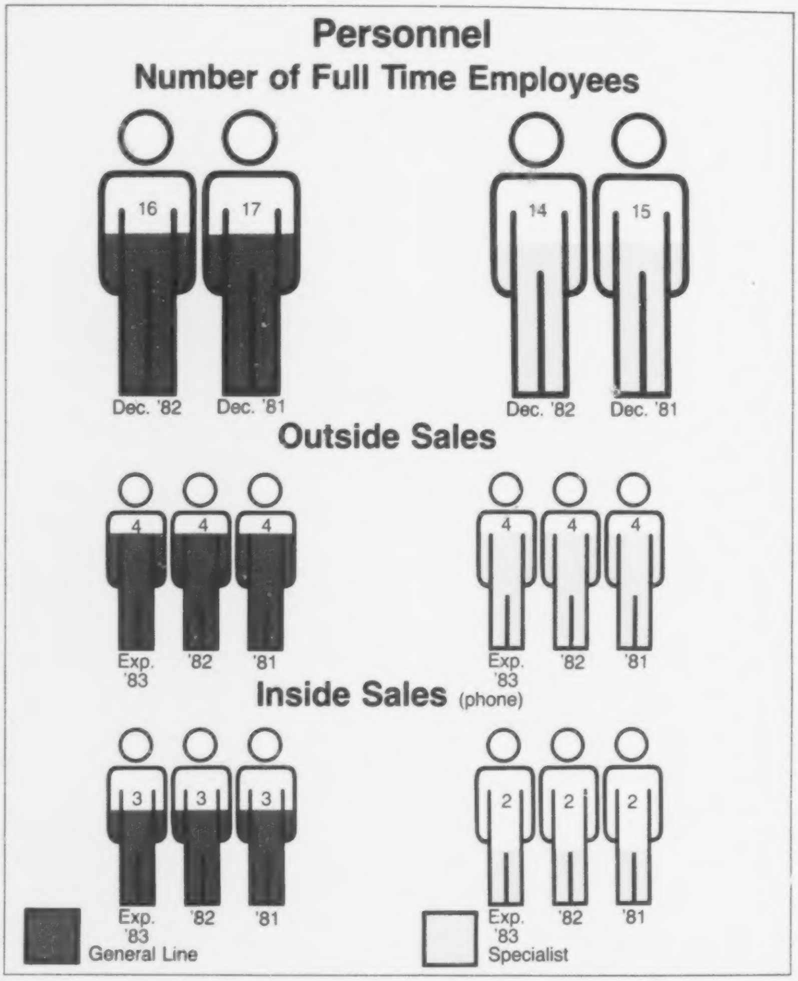
**A reduction in personnel did not prevent total compensation, that is, payroll plus fringes, from rising in 1982. Distributors not only did not decrease warehouse space, as had been anticipated because of the recession, but general liners actually increased it.**

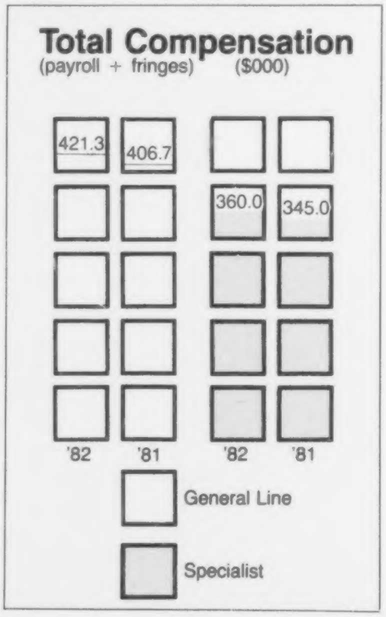
The total number of full time, employees decreased by 1 in 1982, for both general liners and specialists. Because the number of outside and inside sales personnel remained the same for both types of distributors, it is assumed the most likely area the cut took place was in the warehouse—although a clerical position in accounting, secretarial, etc., might also have been vulnerable.

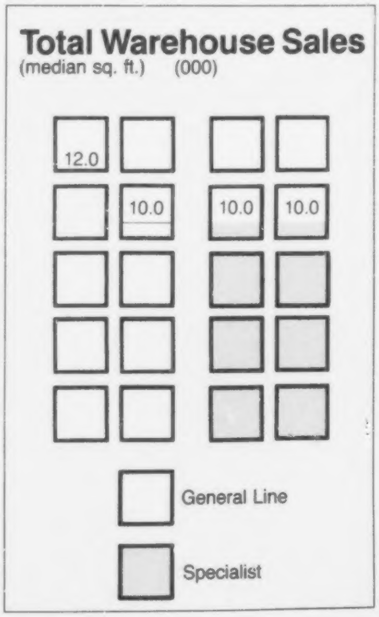
Total compensation increases rose in 1982: 3.6% for general liners, 4.3% for specialists. Payroll was up 3% for general liners, from $360,000 to $371,000, and 5.2% for specialists, from $305,000 to $321,000. Fringe benefits increased 7.8% for general liners, from $46,864 to $50,322, and fell 2.5% for specialists, from $40,000 to $39,000.

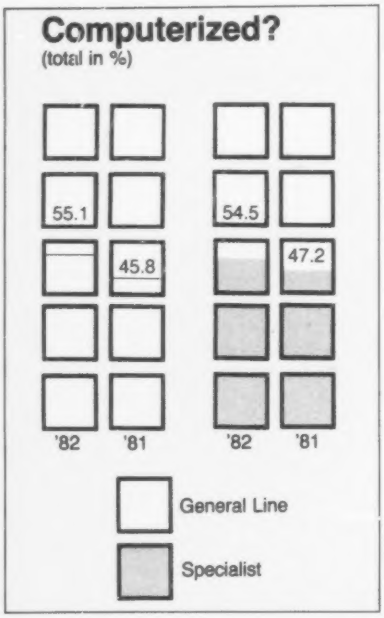
Warehouse space remained the same for specialists in 1982, compared with 1981, but increased by 2000 sq. ft. for general liners.

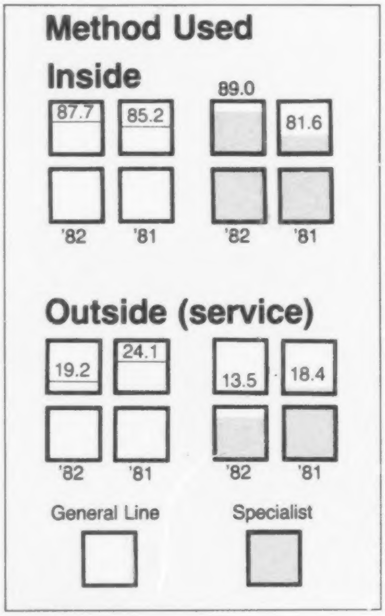
For 1983, 17% of the general line distributors queried plan on increasing warehouse space by 4000 sq. ft.; 3% plan on decreasing space by 5000 sq. ft. For the specialists, 18% plan on increasing 1983 space by 4000 sq. ft., while 4% plan a decrease of 4500 sq. ft.

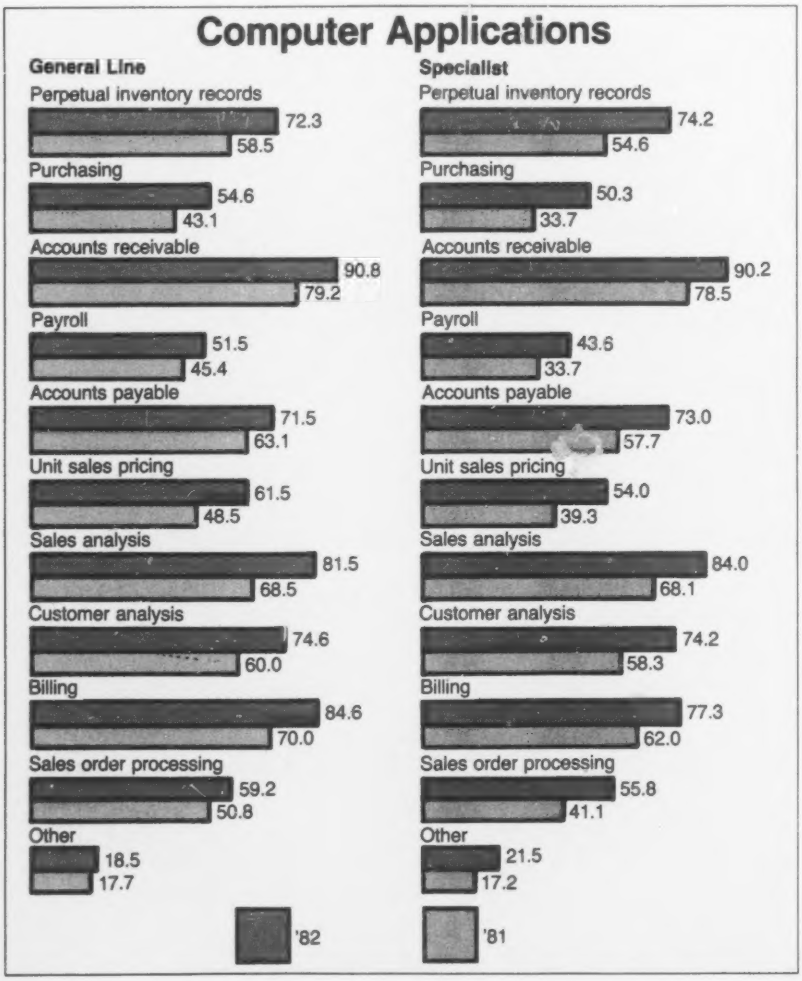












# Computer Usage

**For just about every applicable business category, distributors are installing computers to handle the work. A substantial number have switched from using an outside service, to either buying or leasing their equipment, and this preference is true as well for new computer users.**

**Approximately 20% more general liners, and 15% more specialists, made use of a computer in 1982 compared to 1981. Of this total, about 88% of the general liners were using the equipment in-house, and 89% of the specialists also went this route. These totals were a few percentage points ahead of '81's.**

**The number of new computer users utilizing outside services dropped from 24.1% in '81 to 19.2% in '82 for general liners; from 18.4% in '81 to 13.5% in '82 for specialists. These figures are not plotted graphically.**

**The largest application category for EDP equipment in '82 was accounts receivable. General liners and specialists indicated a usage of approximately 90%, or ten percentage points higher than their '81 figure. The least application category for EDP was payroll for both general liners and specialists.**

**The order of usage was as follows: For general liners: (1) accounts receivable, (2) billing, (3) sales analysis, (4) customer analysis, (5) perpetual inventory records, (6) accounts payable, (7) unit sales pricing, (8) sales order processing, (9) purchasing, (10) payroll. For specialists: (1) accounts receivable, (2) sales analysis, (3) billing, (4) perpetual inventory records, (5) customer analysis, (6) accounts payable, (7) sales order processing, (8) unit sales pricing, (9) purchasing, (10) payroll.**

# Condensed table for comparison and analysis

| | National | | Your figures | Northeast | | Your figures |
|---|---|---|---|---|---|---|
| | '82 | '81 | | '82 | '81 | |
| Total sales ($000) | $2,057 | $2,334 | | $2,486 | $2,731 | |
| Sales from stock (% of total sales) | 64.5% | 64.0% | | 60.0% | 65.0% | |
| Gross profit (% of total sales) | 27.0% | 27.0% | | 27.5% | 27.0% | |
| Total operating expenses (% of total sales) | 25.0% | 23.0% | | 24.0% | 24.0% | |
| Net profit before tax (% of total sales) | 2.5% | 4.0% | | 2.0% | 3.0% | |
| Net profit after tax (% of total sales) | 2.0% | 2.0% | | 2.0% | 2.0% | |
| ROI (return on net worth) | 7.0% | 10.0% | | 9.5% | 10.0% | |
| Sales per employee ($000) | $140.0 | $140.0 | | $141.6 | $132.2 | |
| Gross profit per employee ($000) | $ 39.0 | $ 38.8 | | $ 41.1 | $ 38.1 | |
| Monthly inventory value ($000) | $300.0 | $300.0 | | $375.0 | $300.0 | |
| Receivables value as of Dec. 31 ($000) | $239.1 | $280.0 | | $300.0 | $317.0 | |
| No. days outstanding at Dec. 31 | 45.0 | 44.0 | | 45.0 | 43.0 | |
| No. of invoices billed (000) | 9.1 | 9.6 | | 10.0 | 11.1 | |
| No. of lines of billing per invoice | 4.0 | 4.0 | | 4.0 | 4.0 | |
| ------ | | | | | | |
| No. of employees | 15.0 | 16.0 | | 17.0 | 18.5 | |
| No. of outside salesmen | 4.0 | 4.0 | | 4.0 | 4.0 | |
| No. of inside (phone and counter) salesmen | 3.0 | 3.0 | | 3.0 | 4.0 | |
| Warehouse sq ft (000, including branches) | 10.0 | 10.0 | | 10.0 | 9.4 | |
| No. of branch locations (avg.) | 1.0 | 1.0 | | 1.0 | 1.0 | |
| Total compensation (avg., $000) | $380.9 | $366.3 | | $439.5 | $475.0 | |

| | South Atlantic | | Your figures | North Central | | Your figures |
|---|---|---|---|---|---|---|
| | '82 | '81 | | '82 | '81 | |
| Total sales ($000) | $2,600 | $2,500 | | $1,854 | $2,151 | |
| Sales from stock (% of total sales) | 70.0% | 63.5% | | 60.0% | 60.0% | |
| Gross profit (% of total sales) | 25.5% | 25.0% | | 26.0% | 26.0% | |
| Total operating expenses (% of total sales) | 23.0% | 20.5% | | 25.0% | 23.0% | |
| Net profit before tax (% of total sales) | 3.0% | 4.0% | | 2.0% | 3.0% | |
| Net profit after tax (% of total sales) | 2.0% | 3.0% | | 2.0% | 2.0% | |
| ROI (return on net worth) | 8.0% | 14.0% | | 4.0% | 8.0% | |
| Sales per employee ($000) | $148.0 | $145.8 | | $133.3 | $144.6 | |
| Gross profit per employee ($000) | $ 35.8 | $ 37.3 | | $ 36.7 | $ 38.0 | |
| Monthly inventory value ($000) | $382.3 | $343.5 | | $245.0 | $243.0 | |
| Receivables value as of Dec. 31 ($000) | $265.2 | $311.0 | | $189.5 | $246.5 | |
| No. days outstanding at Dec. 31 | 40.0 | 38.0 | | 45.0 | 40.0 | |
| No. of invoices billed (000) | 12.0 | 11.0 | | 6.1 | 7.1 | |
| No. of lines of billing per invoice | 3.0 | 3.0 | | 3.0 | 4.0 | |
| ------ | | | | | | |
| No. of employees | 15.0 | 15.5 | | 13.0 | 14.0 | |
| No. of outside salesmen | 4.0 | 4.0 | | 4.0 | 4.0 | |
| No. of inside (phone and counter) salesmen | 4.0 | 3.0 | | 3.0 | 3.0 | |
| Warehouse sq ft (000, including branches) | 13.8 | 12.2 | | 10.0 | 10.0 | |
| No. of branch locations (avg.) | 1.0 | 1.0 | | 1.0 | 1.0 | |
| Total compensation (avg., $000) | $506.3 | $474.0 | | $280.0 | $270.9 | |

| | South Central | | Your figures | West | | Your figures |
|---|---|---|---|---|---|---|
| | '82 | '81 | | '82 | '81 | |
| Total sales ($000) | $2,766 | $2,600 | | $1,668 | $1,750 | |
| Sales from stock (% of total sales) | 72.0% | 69.0% | | 70.0% | 67.5% | |
| Gross profit (% of total sales) | 27.0% | 27.0% | | 30.0% | 30.0% | |
| Total operating expenses (% of total sales) | 24.0% | 23.0% | | 28.0% | 26.0% | |
| Net profit before tax (% of total sales) | 3.0% | 5.0% | | 3.0% | 4.0% | |
| Net profit after tax (% of total sales) | 2.0% | 3.0% | | 1.0% | 2.0% | |
| ROI (return on net worth) | 7.0% | 10.0% | | 9.0% | 13.5% | |
| Sales per employee ($000) | $144.4 | $145.0 | | $141.3 | $135.7 | |
| Gross profit per employee ($000) | $ 38.0 | $ 38.3 | | $ 44.5 | $ 42.1 | |
| Monthly inventory value ($000) | $420.0 | $400.0 | | $273.5 | $290.0 | |
| Receivables value as of Dec. 31 ($000) | $287.0 | $312.0 | | $176.5 | $210.0 | |
| No. days outstanding at Dec. 31 | 45.0 | 40.0 | | 45.0 | 41.0 | |
| No. of invoices billed (000) | 10.0 | 10.3 | | 7.7 | 9.0 | |
| No. of lines of billing per invoice | 4.0 | 4.0 | | 3.0 | 3.0 | |
| ------ | | | | | | |
| No. of employees | 18.0 | 20.0 | | 12.0 | 14.0 | |
| No. of outside salesmen | 4.0 | 4.0 | | 3.5 | 3.0 | |
| No. of inside (phone and counter) salesmen | 4.0 | 3.0 | | 3.0 | 3.0 | |
| Warehouse sq ft (000, including branches) | 12.0 | 10.6 | | 10.0 | 10.0 | |
| No. of branch locations (avg.) | 1.0 | 1.0 | | 1.0 | 1.0 | |
| Total compensation (avg., $000) | $481.0 | $458.8 | | $301.9 | $285.4 | |

**Note: All figures are in medians, except where averages are specified.**

# *ID*'s quarterly inflation index

Of the 32 commodity groups in the *Silver/ID Index,* seven actually declined for the first quarter of 1983 (Table 2). Table 1, which compares the inflation indexes for a number of industries, shows a substantially higher rate of inflation for the first quarter of 1983 for the electrical and plumbing and heating industries than industrial products. The electrical industry indexes rose at annual rate of 5.6%.

Why such a big difference between industrial products and these others? In February 1983, residential construction was 93% above that for the same month of 1982. We suggest that the rapid expansion of housing starts due to lower interest rates has something to do with the difference. Copper prices, which were very low during the period of stagnation in residential prices, are up about 20% since the end of 1982. Cooper prices are a major influence in electrical price indexes. The *Silver/ID Index* includes wire and cable which may explain why this index has risen more for the first quarter than the *NIDA/SIDA Index.*

The 15% rise in *Electrical Marketing's* index of electrical products, as compared to the 2-3% rise in the NIDA/SIDA and ***ID*** indexes, is a distortion, because it annualizes figures for the first quarter of 1983 only. Table 1 shows that for the last 12 months electrical products went up by only 6.3%. The sharp rise in copper prices for the first quarter is obviously distorting the electrical index, and it is unlikely that this high rate of inflation will be sustained for the entire year of 1983.

In recent years, many vendors have adopted a practice of announcing their price increases during the first quarter of the new year. Annualized inflation rates for 1983 based only on the first quarter therefore probably tend to overstate the projected rate of inflation for the year. Thus, for the first quarter of 1982 our index showed an annualized rate of 4.0%, but by the end of 1982 the actual increase was only 2.6%. The *NIDA/SIDA Index* for the first quarter of 1982 was at an annualized rate of 9.2%! But its rate for 1982 was only 3%.

*Compiled by Alan Silver Associates, Inc., Highland Park, N.J.*

### Table 1—Comparing inflation indexes

| | *BLS inflation rates (%) | | | |
|---|---|---|---|---|
| | Current qtr 3/83 vs 12/82 annualized | Year-to-date 3/83 vs 12/82 annualized | 12/83 vs 12/82 | 12/82 vs 12/81 |
| **Silver/*ID* index of 32 industrial product groups** | 3.2% | 3.2% | 2.3% | 2.6% |
| **NIDA/SIDA index of 10 industrial product groups** | 2.4% | 2.4% | 1.3% | 3.0% |
| ****PPI index of industrial commodities** | − 2.0% | − 2.0% | 0.8% | 1.6% |
| **Avg. of above indexes** | 1.2% | 1.2% | 1.5% | 2.4% |
| **PPI index of finished goods (indl/agric)** | − 2.4% | − 2.4% | 2.3% | 3.6% |
| **Silver/Wholesaler index of 19 lines (plmgb/htng)** | 5.6% | 5.6% | 2.3% | 2.3% |
| **Electrical Marketing index of 24 product groups** | 15.2% | 15.2% | 6.0% | 2.9% |
| *****NAED inflation index: 16 product groups** | 12.8% | 12.8% | 6.3% | 4.8% |
| **Consumer Price index** | 1.2% | 1.2% | 3.6% | 3.9% |

***Bureau of Labor Statistics (1967 = 100)**
****Producers Price index (formerly Wholesale Price index)**
*****National Assn. of Electrical Distributors (non-BLS) (1973 = 100)**
**NOTE: All figures are based on BLS unadjusted indexes unless otherwise noted. For the first quarter of each year, the first two columns of figures will be alike. For all other quarters, the first column will be the last quarter annualized, and the second column of figures will be current year-to-date annualized. Upcoming reports will follow the above format.**

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## Table 2—ID quarterly inflation index (1967 = 100)

| Col. 1 | Col. 2 | Col. 3 | Col. 4 | Col. 5 | Col. 6 | Col. 7 | Col. 8 | Col. 9 | Col. 10 | Col. 11 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Product category** | **Current qtr 3/83** | **Previous qtr 12/82** | **% inflation** | **Current qtr. annualized %** | **Year-to-date 3/83 vs 12/82 %** | **Year-to-date 3/83 vs 12/82 annualized %** | **Last 12 months** | **4th qtr 82** | **4th qtr 81** | **Annual inflation 82 %** |
| Industrial oil | 371.0 | 372.9 | 0.5 | −2.0 | −0.5 | −2.0 | 2.4 | 372.9 | 359.8 | 3.6 |
| Prepared paint | 265.1 | 265.1 | 0.0 | 0.0 | 0.0 | 0.0 | 2.2 | 265.1 | 256.7 | 3.3 |
| *Rubber belts & belting | 329.1 | 328.1 | 0.3 | 1.2 | 0.3 | 1.2 | −1.8 | 328.1 | 312.3 | 5.1 |
| Other misc. rubber products | 303.0 | 294.3 | 3.0 | 12.0 | 3.0 | 12.0 | 6.9 | 294.3 | 277.6 | 6.0 |
| Plastic construction products | 147.1 | 153.1 | −3.9 | −15.6 | −3.9 | −15.6 | −1.8 | 153.1 | 153.4 | −0.2 |
| Semi-finished steel products | 371.9 | 368.7 | 0.8 | 3.2 | 0.8 | 3.2 | 6.4 | 368.7 | 347.5 | 6.1 |
| Wire & cable | 206.1 | 198.1 | 4.0 | 16.0 | 4.0 | 16.0 | 3.6 | 198.1 | 206.7 | −4.2 |
| Copper wire & cable | — | 190.9 | — | — | — | — | — | 190.9 | 198.9 | −4.0 |
| Aluminum wire & cable | — | 229.2 | — | — | — | — | — | 229.2 | 240.9 | −4.9 |
| Builders hardware | 278.1 | 272.6 | 2.0 | 8.0 | 2.0 | 8.0 | 2.4 | 272.6 | 266.1 | 2.4 |
| *Hand tools | 344.5 | 342.1 | 0.7 | 2.8 | 0.7 | 2.8 | 4.8 | 342.1 | 323.3 | 5.8 |
| *Misc. metal products | 289.8 | 288.7 | 0.4 | 1.6 | 0.4 | 1.6 | 1.8 | 288.7 | 281.4 | 2.6 |
| Industrial safety eq. | 132.8 | 130.6 | 1.7 | 6.8 | 1.7 | 6.8 | 2.8 | 130.6 | 125.1 | 4.4 |
| *Bolts, nuts, screws & rivets (fasteners) | 269.0 | 270.0 | −0.4 | −1.6 | −0.4 | −1.6 | −1.1 | 270.0 | 269.3 | 0.3 |
| *Power-drive hand tools | 220.7 | 221.6 | −0.4 | −1.6 | −0.4 | −1.6 | 0.8 | 221.6 | 214.7 | 3.2 |
| Welding machines & eq. | 274.2 | 273.1 | 0.4 | 1.6 | 0.4 | −1.6 | 3.4 | 273.1 | 270.0 | 1.1 |
| *Cutting tools & accessories | 273.4 | 272.1 | 0.5 | 2.0 | 0.5 | 2.0 | 1.2 | 272.1 | 263.9 | 3.1 |
| Precision measuring tools | 244.9 | 241.5 | 1.4 | 5.6 | 1.4 | 5.6 | 4.1 | 241.5 | 233.1 | 3.6 |
| *Abrasive products | 305.3 | 298.4 | 2.3 | 9.2 | 2.3 | 9.2 | 3.5 | 298.4 | 285.7 | 4.4 |
| Metal cutting machines tools | 374.7 | 372.7 | 0.5 | 2.0 | 0.5 | 2.0 | 2.5 | 372.7 | 359.1 | 3.8 |
| Metal forming machine tools | 414.4 | 411.8 | 0.6 | 2.4 | 0.6 | 2.4 | 4.1 | 411.8 | 389.2 | 5.8 |
| Pumps, compressors & eq. | 347.8 | 348.2 | −0.1 | −0.4 | −0.1 | −0.4 | 0.5 | 348.2 | 338.2 | 2.9 |
| Fluid power eq. | 251.5 | 248.9 | 1.0 | 4.0 | 1.0 | 4.0 | 4.6 | 248.9 | 234.0 | 6.4 |
| *Industrial material handling eq. | 285.2 | 286.9 | −0.6 | −2.4 | −0.6 | −2.4 | −1.1 | 286.9 | 284.6 | 0.8 |
| *Mechanical power transmission eq. | 314.5 | 312.0 | 0.8 | 3.2 | 0.8 | 3.2 | 0.9 | 312.0 | 306.6 | 1.8 |
| *Valves & fittings | — | 323.5 | — | — | — | — | — | 323.5 | 316.5 | 2.2 |
| Ball & roller bearings | 331.2 | 335.3 | −1.2 | −4.8 | −1.2 | −4.8 | 2.8 | 335.3 | 321.6 | 4.3 |
| Plain bearings | 260.8 | 257.0 | 1.5 | 6.0 | 1.5 | 6.0 | −4.0 | 257.0 | 271.6 | −5.4 |
| Wiring devices | 330.8 | 327.8 | 0.9 | 3.6 | 0.9 | 3.6 | 2.4 | 327.8 | 318.9 | 2.8 |
| Electrical instruments | 268.1 | 261.9 | 2.4 | 9.6 | 2.4 | 9.6 | 4.2 | 261.9 | 243.8 | 7.4 |
| Electric motors | 303.0 | 298.8 | 1.4 | 5.6 | 1.4 | 5.6 | 5.6 | 298.8 | 284.1 | 5.2 |
| Generators & generator sets | 339.5 | 331.1 | 2.5 | 10.0 | 2.5 | 10.0 | −0.1 | 331.1 | 323.5 | 2.3 |
| NIDA/SIDA composite | 296.0 | 294.2 | 0.6 | 2.4 | 0.6 | 2.4 | 1.3 | 294.2 | 285.5 | 3.0 |
| Silver/ID composite | 287.5 | 285.2 | 0.8 | 3.2 | 0.8 | 3.2 | 2.3 | 285.2 | 278.1 | 2.6 |

*Included in NIDS/SIDA composite

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